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MEMORANDUM

OF THE

FINANCIAL DEPARTMENT

OF THE

GOVERNMENT OF INDIA

DURING THE PAST FIVE YEARS,

UNDER

THE ADMINISTRATION

OF

HIS EXCELLENCY THE RIGHT HON'BLE SIR JOHN LAWRENCE,
BART., G.C.B. AND G.C.S.I.

BY

THE HON'BLE SIR RICHARD TEMPLE, K.C.S.I.

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PREFACE.

Instructions having been received in the Secretariat from His Excellency the Viceroy and Governor General, Sir John Lawrence, for the preparation of a report of the financial administration of British India during the past five years, I have deemed it desirable to undertake the task of preparing this report myself.

In India Finance not only embraces financial subjects proper, but is also intimately mixed up with the management of all other departments of the State. It hence becomes difficult to attempt any financial retrospect without entering largely into the affairs of the various branches of the general government of the country. This summary therefore relates not only to the regular administration of the finances, but also to the financial results of the work of all departments.

I have endeavoured, not always successfully perhaps, to report the business actually done in the Financial department without unduly trenching upon the proceedings of other departments. But even then the topics are found to be so very numerous and varied, that lucidity of arrangement is not easy. After some consideration I determined

to divide this extensive subject into four main parts; namely, first, that which relates to *expenditure*, including salaries and establishments, civil and military, of all kinds and all public improvements; second, that which relates to *revenue and resources*, including fiscal measures, taxation, and loans; third, that which relates to *administrative measures connected with finance*, including currency, banks, furlough and leave rules for the several branches of the service, statistics, accounts; fourth, that which relates to *actual income and expenditure*, and the aggregate of financial result. I trust that all the multifarious matters requiring mention will be found naturally to group themselves under one or other of the above main parts or headings.

The following chapters will be found arranged according to this order.

In the part relating to expenditure, a brief account has been given of the numerous augmentations of salary allowed by Government to all those classes of its servants whose means are straitened by the general rise of prices in this country; of the constant expansion of establishments in every direction owing to the growing demand for administrative reform and improvement; of the efforts made for reductions and retrenchment wherever possible, in order to counterbalance in some degree the irresistible tendency to enhancement of expenditure.

In the second part relating to revenue and resources, there is mention of the fiscal improvements introduced into every branch of revenue—

the changes being in almost all instances primarily for the good of the people.

In the third part relating to administrative measures connected with finance, some description is offered of the measures adopted respecting currency, both paper and metallic; of the extension of banking agency; of the preparation of statistics; of the re-organization of the account department; and of the great boon conceded to the civil and military services of India by the new furlough and leave rules.

In the fourth part relating to income and expenditure, there is traced the progress of every item of income and the corresponding progress of every item of expenditure; and then the ultimate balance of income and expenditure is explained, whereby the budget sheet of British India is seen to have about fifty millions annually on each side of the national account, or nearly one hundred millions on the whole.

The mass of business which has devolved, and continues to devolve, on the Financial Department of the Government of India will be perceived to be enormous.

In this exposition, I have specially aimed at *condensation*; and have not hoped to accomplish more than a bare resumé of dry facts. And as these facts are drawn from so wide a field of enquiry, I fear that, despite all the care that could be bestowed, some inaccuracy may have crept in here and there.

I must acknowledge cordially the valuable assistance rendered by Mr. R. H. Hollingbery, one of the Assistant Secretaries in this Department, in the collection and collation of the facts embodied in this report.

The period under review comprises the administration of my two immediate predecessors, Sir Charles Trevelyan and the Right Hon'ble Mr. Massey.

With these prefatory remarks, I have to present this memorandum to His Excellency the Viceroy and Governor General.

R. TEMPLE.

THE TREASURY,
CALCUTTA,
January 5th, 1869.

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FINANCIAL ADMINISTRATION.

PART I.

RELATING TO EXPENDITURE.

In this Part will be considered Salaries, Pay, Allowances, and Pensions; Establishments, Civil, Military, and Marine; Special Departments; Public Works and Improvements.

CHAPTER I.

SALARIES, PAY, ALLOWANCES, AND PENSIONS.

EXPENDITURE.

Definition of terms.

The term "salaries" means the emoluments of officers whose appointment is made by Government and notified in the *Gazette*: "pay" those of officials who are appointed by some departmental authority; "allowances" means travelling charges, tentage, and the like. The term "pensions" speaks for itself.

These definitions apply to the Civil Department. In the Military Department the term "pay and allowances" will be used in the ordinary Military sense.

Increase of salaries and pay in Civil Departments.

Generally, it is the fact that all "salaries" throughout India for all Civil Departments have been increased, except only those of the Covenanted Civil Service in the older Regulation Provinces. Even in the last named there have been some

EXPENDITURE.

increases, though these again have been somewhat counterbalanced by reductions. "Pay" has also been universally increased, almost without exception.

District officers.

In the civil administration proper, one of the most important increases has been in the salaries of the district officers, that is, Deputy Commissioners and Assistant Commissioners in the Non-Regulation Provinces, to wit, the Punjab, Oude, the Central Provinces, British Burmah, Assam and some other outlying districts. These officers are almost entirely European. The salary of a Deputy Commissioner used to range from Rs. 1,000 to Rs. 1,500 per mensem, or from £1,200 to £1,800 per annum. It now ranges up to Rs. 1,900 per mensem, or £2,300 per annum. The salary of an Assistant Commissioner used to range from Rs. 400 per mensem to Rs. 600, or from £480 to £720 per annum. It now ranges up to Rs. 800 per mensem, or £960 per annum. The increase for Deputy Commissioners has been about 20 per cent. in the Punjab and the Central Provinces, about 30 per cent. in Oude and the North-West Provinces, and about 40 per cent. in Bengal and British Burmah. For Assistant Commissioners, it has been about 25 per cent. in the North-West Provinces, 30 per cent. in Bengal, 10 per cent. in the Punjab, and 5 per cent. in Oude and British Burmah.

Judicial and fiscal officers.

The next most important increase has been in the salaries of subordinate judicial and fiscal officers called Deputy Collectors and Magistrates in the Bombay Presidency and the North-West Provinces,

EXPENDITURE.

Extra Assistant Commissioners, and Subordinate Judges in the Bengal and Bombay Presidencies. These officers are partly European, but principally Natives. Their salaries used to vary from Rs. 200, or even less; per mensem, to Rs. 600, or from £250 to £720 per annum. These now go up from Rs. 200 to Rs. 800 per mensem, or from £250 to £960 per annum. The increase on the average has been about 20 per cent. for Deputy Collectors in Bombay, and 10 per cent. for those in the North-West Provinces. For Subordinate Judges the increase has been about 55 to 60 per cent. on the average for all grades, the percentage for the lowest grade, or Moonsiffs, being still higher. The pay of Native Sub-Collectors (Tehseeldars) has been raised in all three Presidencies. It used to range from Rs. 100 to Rs. 200 per mensem, or from £140 to £250 per annum. It will now rise to Rs. 250 and even to Rs. 300 per mensem, or £300 and £360 per annum.

Ministerial Establishment

In the ministerial establishments of the courts and the offices, where the work is conducted in the vernacular languages, the pay has been raised universally. The rates of pay are below those last named; to specify them would be tedious. In general terms they have been increased from 25 to 50 per cent., in some cases even more. The pay of the office establishments, whose work is conducted in the English language, has been increased in all the three presidency towns, and at the seats of most of the local Governments.

EXPENDITURE.

Lower class of officials.

The lower class of officials—messengers, orderlies, office servants, and the like—have also had their pay increased, chiefly in the older provinces, by 20 to 40 per cent. on the average. For instance, one who got Rs. 5 per mensem now gets Rs. 6 or 7, one who got Rs. 4 now gets Rs. 5, and so on.

The Police.

In the Police Department there has been some increase to the salaries of the European officers called District Superintendents, in Madras, the North-West Provinces, and some of the Non-Regulation Provinces. The pay of the upper native officers of the Police has been raised in Bengal Proper, in the North-West Provinces, and in the Bombay Presidency. The pay of such native officer, called Inspector, used to vary from Rs. 80 to Rs. 150 per mensem; it now rises up to Rs. 200 per mensem, or £240 per annum, and sometimes up to Rs. 250 per mensem, or £300 per annum. For the rank and file of the force now called constables, the pay has been increased for all provinces save the Punjab and Oude (where it had been previously revised). The pay of a policeman in India used to be from Rs. 5 to Rs. 7 per mensem. It is now from Rs. 6 to Rs. 9. In Burmah it is higher still.

Jail Establishments.

A proportionable increase has been granted to warders and turnkeys in the jails; and the pay of jailors also has been raised throughout the three presidencies, excepting the Punjab, where it had been revised in 1861-62.

Inland Custom Department.

In the Inland Customs Department of Northern India the salaries of Collectors and Patrols

(European) have been raised by about 20 per cent.; the pay of Native Superintendents and their men has been raised much in the same way as that of the police in Lower Bengal and Madras. The Preventive Establishment in these latter territories had been previously incorporated with the police, and has participated in the increase allowed to that department. In the Sea Customs the salaries of Collectors of Customs, British Burmah and Kurrachee, are being improved, and those of Assistant Commissioners of Customs, Bombay, have been increased. The pay of preventive and wharf officers in the Custom Houses of Calcutta, Bombay, Rangoon, and Moulmein has also been raised by 20 or 25 per cent. and upwards.

EXPENDITURE.

In the Postal Department throughout India there has been an increase of salary and pay of all grades, from the Post Master General to the delivery messenger and line runner. The salaries of Post Masters at the three presidency towns, and of Chief Inspecting Post Masters at the head quarters of minor administrations, have been increased from Rs. 600 or Rs. 700 to a maximum of Rs. 1,000 per mensem, or from £720 to £1,200 per annum. The pay of other Post Masters and of Deputy Post Masters in the three presidencies has been increased generally by 30 to 40 per cent. upon previous rates, with an exceptional increase of 75 per cent. for Deputy Post Masters in the North-West Provinces, and of 65 per cent. for those in the Madras Presidency.

The Postal Dept.

EXPENDITURE.

In the Bombay Presidency the salaries have, in numerous instances, been raised by 100 to 200 per cent. or more. The messengers used to receive from Rs. 5 to Rs. 7 per mensem; they now receive at the maximum from Rs. 9 to Rs. 12. The pay of the runners has been raised from Rs. 4 and 5 to Rs. 5 and 6 per mensem.

The Electric Telegraph.

In the Electric Telegraph Department throughout India the salaries of Superintendents used to rise up to Rs. 700 per mensem, or £840 per annum; they now rise to Rs. 1,500 per mensem, or £1,800 per annum. That of Assistant Superintendents was formerly Rs. 300 per mensem, or £360 per annum: it now rises to Rs. 450 per mensem, or £540 per annum. The pay of signallers has been raised by about twenty per cent. It ranged formerly up to Rs. 150 per mensem, or £180 per annum; it now ranges up to Rs. 195 per mensem, or £235 per annum.

The Survey Dept.

In the Trigonometrical and Topographical Surveys, and the Revenue Survey of the Bengal Presidency, there has been a general increase of salary and pay. The Surveyors, chiefly military, now receive staff pay up to Rs. 800 per mensem, or £960 per annum, whereas they used to receive only Rs. 600 per mensem on the average, or £720 per annum. The Assistant Surveyors used to receive a staff pay of Rs. 250 per mensem, or £300 per annum; they now rise to Rs. 375 per mensem, or £450 per annum. With the Surveyor and Assistant Surveyor the above staff salaries are exclusive of

military pay, within a fixed maximum of aggregate emoluments. For the Executive Establishment, chiefly European, the maximum has risen from Rs. 600 per mensem, or £720 per annum, to Rs. 900 per mensem, or £1,080 per annum. The Sub-Surveyors, entirely native, now receive pay ranging up to Rs. 110 per mensem, or about £130 per annum, having been benefited by about 20 per cent. Increases have also been allowed in the Geological Survey.

EXPENDITURE.

The Forest Dept

The salaries of officers in the Forest Departments of the Bengal and Bombay Presidencies have been raised, generally, by about 20 per cent.; and in order to hold out adequate prospects to those who are being trained for the department in the Forest Schools of France and Germany, and to other classes of candidates, a further increase of salary, involving an additional charge of £5,000 a year, has been recommended to the Secretary of State. The pay of subordinates in the department has also been raised.

The Public Works Dept.

One of the most important increases has been in the Public Works Department. The scale of salary has been increased for Civil Assistant Engineers and for Civil Superintending Engineers, while both Civil and Military Engineers have benefited by a re-adjustment of the proportions of the several grades, which has increased the strength of the upper and reduced that of the lower. A corresponding increase has been given to Controllers and Assistant Controllers of Public Works Accounts. The Upper Subordinates have

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been benefited by abolishing the grade of Assistant Overseer for Military Subordinates (who now enter as Overseers), increasing the proportions in the higher grades for Military and Civil Upper Subordinates, and giving an extra allowance of Rs. 30 a month to those in charge of Sub-Divisions as Disbursers. The pay of Lower Subordinates has been increased by 30 per cent. That of Accountants and Clerks has been fixed on a progressive scale in which the maximum is about 20 per cent. greater than former pay. Furthermore, liberal Presidency allowances for service in the three Presidency Towns, amounting (exclusive of Presidency house-rent) to Rs. 150 a month in several instances, have been given to various grades of officers.

The Educational Department.

The increases of salary and pay in the Educational Department throughout India may be stated under the heads of—

1st.—A supervising staff of Director and Inspectors, and of Principals and Professors of Colleges.

2nd.—Normal schools, high schools, and zillah schools.

3rd.—Anglo-vernacular schools under Government management; and superior vernacular schools; also model vernacular schools in tehseels and sub-divisions.

4th.—Vernacular schools for the mass of the people.

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Under the first head a liberal increase of salary was sanctioned in 1865 for the Educational Department, Bengal, Lower Provinces, where the higher class of education is farther advanced and more generally diffused than in other parts of India. The salaries are on a progressive scale. That of the Director which was fixed at Rs. 2,000 now rises to a maximum of Rs. 2,500 per mensem, or £3,000 per annum; those of the Principal, Presidency College, and Inspector, 1st grade, which were Rs. 1,300 and Rs. 1,200, are now at the maximum at Rs. 1,500 per mensem, or £1,800 per annum; those of the remaining Inspectors on Rs. 900 and Rs. 1,000, and of Principals in Mofussil Colleges and of Professors in the Presidency College, which ranged at Rs. 700 and Rs. 800, now range at the maximum at Rs. 1,000 and Rs. 1,250, or £1,500 per annum; those of Assistant Professors in the Presidency College and of Professors in Mofussil Colleges which ranged at Rs. 500 and 700 per mensem, or £840 per annum, now range at the maximum at Rs. 750 and Rs. 1,000, or £1,200 per annum. For other provinces of the Bengal Presidency and for the Madras and Bombay Presidencies, a scheme has been approved for extending to them the Bengal scale, with only such slight modifications as their somewhat different circumstances necessitated. The additional cost of the extension will be Rs. 1,60,000, or £16,000 a year.

The pay of Head Masters and Teachers in normal schools in all parts of India, in high schools and

EXPENDITURE.

zillah schools in the Madras and Bombay Presidencies, and in zillah schools in the North-Western Provinces, Punjab, Oude, and the Central Provinces, has also been increased. Sanction to a general revision of pay in the zillah schools of the Lower Provinces of Bengal only awaits the submission of a scheme which has been called for for dividing these schools into classes, fixing a standard yet flexible scale of charge for each class of school, and defining the portions of that charge which should be made good from schooling fees and from the general revenues respectively.

The grant-in-aid schools under Government management are peculiar chiefly to the Bombay Presidency, where the pay of the teachers in these schools has been raised commensurately with the increases accorded to clerks and others in the revenue department. In other provinces, such schools, *i. e.*, Anglo-vernacular schools, maintained on the grant-in-aid principle, yet under Government management, are generally those in which English classes have been grafted on the model tehsilee schools. Here, too, as well as in the tehsilee schools, the pay of teachers has been raised in all the provinces where the schools exist.

The last class of schools, *viz.*, the vernacular schools for the masses, are maintained chiefly from the educational cess. In Bengal, where this resource does not exist, the stipends of the teachers have been raised, but the extension of the system has been restrained till adequate local revenue shall have been provided for meeting the expense.

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Military Officers.

In the higher military salaries there has been hardly any increase during the past five years. Just before the commencement of this period there was a complete revision of all these salaries consequent on the formation of the Staff Corps. The new scale of salaries took effect in November 1863, and nothing further in this way has been since required. But regimental pay has been increased liberally for Medical Officers, Veterinary Surgeons, Warrant officers, both military and medical, and European non-commissioned officers and rank and file of the Army and in departments. The half batta regulations by which European officers,—commissioned, warrant and non-commissioned,—and European privates, were restricted to a less rate of pay within 200 miles from the Presidency town than when serving beyond that distance have been rescinded; the family allowance to the European soldier for his wife has been increased by three rupees a month, or sixty per cent.; the good conduct pay of the native soldier has been improved; his furlough pay has been raised, and a heavy additional charge has grown up for compensation to native soldiers for dearness of articles of food. In the Staff Corps the extensive promotion of officers to the higher ranks has operated in the same way as a liberal increase of pay.

Medical Officers.

The Medical Department, being partly civil and partly military, may be treated as a whole. The increase of salaries for the European officers took place in the military branch in November 1864, and in the

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civil branch in November 1866. A considerable increase of pay in the British medical service having disturbed the relation between British pay and Indian pay and allowances for medical officers, the due proportion between them was re-established by these increases. On the whole, the practical effect has been an increase of about 75 per cent. The measure, expensive in itself, has been rendered more so by the new rule of promotion of covenanted officers of the Indian Medical Department after fixed periods of service, whereby the number in the upper ranks has been considerably increased. As a partial set-off a number of the minor medical charges have been constituted extra charges of regimental medical officers at the same station, or have been transferred from covenanted to uncovenanted medical officers, the salary of the last mentioned class being improved at the same time; whereas an uncovenanted medical officer formerly received Rs. 300 to Rs. 450 per mensem, or £540 per annum, his pay now begins at Rs. 350 and rises to Rs. 900 per mensem, or £1,080 per annum.

The next grade is that of Sub-Assistant Surgeons. In the Bengal Presidency, excepting British Burmah, the pay of this class has sufficed for the requirements of the service; but in British Burmah, it has been increased by Rs. 50 a month, or £60 a year, or by 25 to 50 per cent. on the several grades of pay. In the Bombay Presidency the pay of Sub-Assistant Surgeons in important charges has been increased by 75 to 100 per cent.

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The maximum pay of Native Doctors or Hospital Assistants has been raised for those who know English, and have been professionally educated, from Rs. 35 to Rs. 60 a month, or by 40 per cent., and for those who do not know English from Rs. 25 to Rs. 40 a month, or 60 per cent.

Miscellaneous increases.

There have also been miscellaneous increases, such as the revision of salaries on the reorganisation of the Kattyawar Agency, improved emoluments of Political Residents and Agents, and of other officers in the Political department throughout India, of Secretaries of Chief Commissioners, of officers in detached appointments, such as the Superintendents of Coorg and the Terai Pergunnahs, the Collector of Bombay, the Advocate General and Government Solicitor, Bombay, the Superintendent of stamps and excise in Oude, &c.

Travelling allowances.

Under the head of allowances, the principal increase has been under travelling allowances, arising from various causes, *viz.* :—

1st.—An increase of rates in improving the general condition of the officers of a department, such as the Survey Department, Bengal Presidency, the Geological Survey, the Postal and Telegraph Departments, the Police Department, Bombay Presidency, the Customs Department, Northern India, the Forest Department.

2nd.—Increase of rate for particular classes on account of special dearness in certain

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localities, such as in the Bombay Presidency (where the general rate of travelling allowance for ministerial establishments has been raised), in the Berars, in a portion of the Central Provinces, Assam, part of the Madras Presidency, &c.

3rd.—Special payments, such as for transit of horses and camp equipage for Police officers, by sea, and for Police, Survey, Telegraph, Public Works, and certain other classes of officers by railway.

The following grants may also be mentioned:—

Special allowances.

1st.—Conveyance allowance of Rs. 50 or Rs. 100 a month to Episcopalian and Presbyterian Chaplains at large stations in the three Presidencies.

2nd.—Rewards for proficiency in the native languages. These ranged formerly at Rs. 800 and Rs. 1,600, or £80 and £160; they now range at Rs. 1,000 to Rs. 4,000, or £100 to £400. They were denied formerly to uncovenanted officers, but are now extended to certain classes of them in the civil administration.

3rd.—An allowance for dearness of living in certain provinces,—such as the Bombay Presidency, from 1864 until its supersession by a general revision of pay; in Assam for particular departments, where it is still paid; in Orissa and

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the Central Provinces, where it was given temporarily.

4th.—Loans of moderate amount to civil officers in newly organized provinces for the building of dwelling houses, also to military officers, for the same purpose where houses are not available.

Pensions to various classes of officers.

Under the head of pensions, those of covenanted medical officers, of Episcopalian and Presbyterian Chaplains, and of warrant officers have been improved. For barristers employed in the judicial department, or in offices requiring legal training, a special scale of pensions, admissible after comparatively short periods of service, has been established, while the actual pension of all other uncovenanted officers and ministerial establishments has also necessarily risen with their salaries or pay.

To uncovenanted servants generally.

In addition, a scheme awaits the approval of the Secretary of State, by which pension will be graduated for the uncovenanted servants of Government according to length of service, beginning at a pension of one-sixth of salary for ten years' service, and rising by one-sixtieth of pay for each year of service to a half pay pension without a medical certificate for thirty years' service, the periods being reduced for certain classes of officers who may enter Government service on a salary of £600 a year or upwards at the age of 25 or upwards. This measure, if sanctioned, will prove a great boon to the uncovenanted service.

CHAPTER II.

ESTABLISHMENTS—CIVIL, MILITARY, AND MARINE.

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Modifications of expenditure for Civil establishments.

It will be convenient to consider the modifications of expenditure for civil establishments in the main divisions of 1*st*, Ordinary Civil Administration; 2*nd*, Special Departments, which will fall into Chapter III.

In the first may be included—

a. Principal revisions of old Establishments.

b. New Establishments.

Old establishments.

Under ordinary civil administration a principal increase is in the strength of covenanted officers.

Covenanted officers.

In the older provinces of the Bengal Presidency, and in the Madras and Bombay Presidencies, this has been effected by the ordinary means of recruiting the strength of the covenanted Civil Service. In the Non-Regulation Provinces of the Bengal Presidency, it has resulted from additions of Assistant Commissioners to make up the strength required for the actual work, and by the further provision of a reserve for absentees.

Subordinate executive officers and ministerial establishments.

Among ministerial and subordinate executive establishments, the principal revisions of old establishments are those which, as already stated, accompanied a revision of pay, and which accordingly have been mentioned in the notices of increase of pay.

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Revenue establishments.

The further revisions which may be mentioned are—

1st.—Of Settlement establishments, involving additional charge.

2nd.—Of Account and Treasury establishments in districts, consequent on the new system of accounts, and the supersession, more or less, of vernacular by English accounts in the sudder treasuries. (This has been provided in a great measure without additional charge).

3rd.—Of establishments for the collection of the revenue from Customs, Salt, and Stamps, at the Presidency towns.

4th.—Establishments of the Opium Agencies (involving a large reduction of expense).

In short, there has been a revision of all revenue establishments, besides those permanently retained for the land revenue and magisterial work of districts which are included in the mention of the revisions of pay.

General departments, including Secretariats, &c.

The establishments of the Calcutta and Bombay Mints have also been increased consequent on an increase of their coining power. All the Secretariat establishments of the Government of India, and those of the Governments of Madras, Bombay, and Bengal, have undergone revision. All the Civil Account office establishments have been revised to adapt their working to the new system, but this has been effected at a saving of expense. Dispensary establishments have been revised, but they may be more fitly considered under new establishments.

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Expenditure for new establishments.

Ordinary civil administration.

NEW ESTABLISHMENTS, ORDINARY CIVIL ADMINISTRATION.—Under this head the principal expense has arisen from the following measures, *viz.*:—

1. *Bombay Presidency*:—The formation of several additional districts.

2. *Madras Presidency*:—The formation of one additional district.

Bengal Presidency.

3. Lower Provinces—

   a. The formation of the districts of the Bhootan Dooars.

   b. Administration of the Naga Country on the north-east frontier of Assam.

   c. An additional Assistant Commissioner for the Garrow Hills, and new sub-divisions in Cachar and Assam.

   d. Administration of the Hill Tracts in Chittagong.

   e. Administration of the frontier towards British Burmah.

   f. Increase of sub-divisions of zillahs or districts, and consequent increase of Covenanted Assistants and Deputy Magistrates and Collectors.

   g. Improvement of the Calcutta Medical College.

4. North-Western Provinces—

   a. The formation of an additional district of Bustee out of the Goruckpore District.

b. Improved administration of Nynee Tal and the Terai Pergunnahs.

5. Central Provinces—
   a. The addition of the Nimar district.
   b. Arrangements for improving remote tracts in the Chanda district.
   c. Medical School at Nagpore.

6. British Burmah: additional strength to the ordinary civil administration; also two lunatic asylums.

In addition to the foregoing a large expenditure has been incurred for Settlement establishments in the Punjab, North-Western Provinces, Oude, the Central Provinces, Scinde, and British Burmah, while the Settlement establishments of the Madras and Bombay Presidencies and of Bengal have also been maintained in efficiency.

Forest Department.

FOREST DEPARTMENT.—The measures, under this head, during the last five years, may be briefly described as embracing the formation of a Forest Department in Bengal for the conservancy of the forests in the Dooars, the re-organisation of forest establishments in Bombay and the North-Western Provinces, so as to bring their forests under a regular system of administration, and the extension and enlargement of the Forest Department in Madras, British Burmah, the Central Provinces, the Punjab, Oude, and Coorg, till at length (the time having arrived) proposals are now before the Secretary of State for India for recruiting the Forest Department of the Bengal Presidency, and eventually of

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British India, by persons trained chiefly in the forest departments of France and Germany.

Customs establishments.

CUSTOMS.—Under Sea Customs the Customs establishments at the three Presidency Towns and in the ports of British Burmah have been revised and strengthened. The salt and customs establishments of the Line in Northern India have been considerably increased. The line has been carried round the west and south of the Central Provinces to a point in the eastern districts, and also between the province of Berar and the Bombay Presidency.

Sudder Distillery establishments.

ABKAREE EXCISE.—Under the sudder distillery system the duty on spirits is levied at the still, at the time of withdrawal of the liquor for sale. This system superseded the previous farming system in the North-Western Provinces in 1863, and in the greater part of the Lower Provinces, Bengal, in 1861 to 1863. During the period under review it was extended to the remainder of the Lower Provinces, Assam excepted, and was introduced throughout the Central Provinces, the Punjab, and experimentally in parts of the Bombay Presidency, at some expense in the aggregate for sudder distillery establishments.

Establishments for collecting License Tax.

LICENSE TAX.—The requisite establishments for collecting this new tax have been provided for the several Presidencies and Provinces.

Establishments of the several High Courts.

JUDICIAL DEPARTMENT.—This Department may be considered under the heads of—

1. High Court, or Chief Court.

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2. Ordinary Courts.
3. Special Courts.
   (a).—Recorders' Courts.
   (b).—Small Cause Courts.
   (c).—Cantonment Magistrates.
4. Registration Department.

The High Courts at the three Presidencies were established before the period under report, but the office and court establishments under the Judges of these Courts in the three Presidency Towns have been revised within this period. A High Court has been established in the North-Western Provinces, a Chief Court in the Punjab, a Judicial Commissioner's Court in Scinde. The ministerial establishments of these several Courts have been revised.

Ordinary Civil Courts.

The number of the ordinary Civil Courts has been generally increased in the higher and reduced in the lower grades; that is to say, additional Judges have been allowed in Bombay (including Scinde), Bengal, the Punjab, and Madras, while the number of Subordinate Judges of the lower grades has been reduced partly by revision of jurisdiction, partly by the creation of Small Cause Courts, and partly by vesting Principal Sudder Ameens with the powers of Small Cause Judges.

Small Cause Courts.

Among special Courts, the Recorder's Court at Rangoon has been reconstituted, and a Recorder has been allowed for Moulmein. The establishments of the Small Cause Courts in the Presidency Towns of Bombay and Calcutta have been strengthened, and

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their pay, as well as the salaries and number of the Judges, have been increased. The Small Cause Courts in the Lower Provinces of Bengal have been reduced in number, by doubling up jurisdictions under itinerant Judges of Small Causes, while the enrolment of the Mofussil Small Cause Judges and the Principal Sudder Ameens, Bengal, in one list for promotion, has improved the general scale of salaries. In Lucknow a Small Cause Court has been established, and in the Punjab, British Burmah, the Central Provinces, and the Bombay Presidency similar Courts have been improved by providing better salaries for a superior class of Judges.

Cantonment Magistrates.

Formerly the Cantonment Magistrates were on a semi-military footing; but to secure proper qualifications for the office, the salary of the appointment has been revised and fixed in two grades, and the appointment has been merged in the non-regulation part of the ordinary civil administration of each province, so as to provide better prospects for the incumbents. The class of these Judges being thus improved, their Courts have been raised to a superior status.

Registration of assurances.

The Act for the registration of assurances has been extended to all parts of British India, excepting British Burmah and Oude, at an outlay which apparently augments the expenditure under Law and Justice, but which is set off by equivalent receipts, so that the facilities in the administration of justice, eventually accruing from the operation

of this Act, will be secured without any charge on the general revenues. In Oude a system of registration exists independently of this Act. EXPENDITURE.

Owing to the general increase of prosperity and of the value of land, it has been found necessary, in the interests of the public revenue, to provide a Government Advocate or Pleader for the Local Governments or Administrations in the North-Western Provinces, the Punjab, the Central Provinces, British Burmah, and Scinde. Government Advocates.

JAILS.—Under this head the only province which had not been previously provided with an Inspector of Prisons, *viz.*, British Burmah, has been allowed one; and in all Provinces, in the three Presidencies, the controlling staff has been strengthened by the formation (which is still in progress) of central jails under medical officers of standing. The number of district jails also has been nearly everywhere increased, every such increase entailing a fresh expenditure for establishments. In the Bengal and Bombay presidencies, the executive charge, in addition to the medical charge, of district jails, has been made over to medical officers on an extra allowance, but not, as a rule, in the Madras presidency. Wherever this executive charge has been thus withdrawn from the Magistrate, an English writer has been given to each jail. The class of jailors also has been improved by better pay, and by a share in the profits of prison manufactures. The establishment of turnkeys, work instructors, and warders has also been put on an Jails.

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efficient footing; a more expensive scale of clothing and diet for prisoners has been adopted, and the only partial set-off to these expenses has been in the reduction of the strength of guards, partly by general revision, partly by the introduction of intramural labor, and partly by the substitution of a limited proportion of convict warders for paid warders.

Port Blair.

In connexion with jails may be mentioned the penal settlement of Port Blair. The charges of this settlement have grown with the increase of prisoners, who are no longer sent to the Straits Settlements. Consequent on this increase the administration of Port Blair has had to be strengthened in its European supervision and establishments; and in its police, though some set-off was obtained for the latter by the withdrawal of the naval brigade. These increases are partially counterbalanced by a diminished expenditure of stores.

Police.

POLICE.—The strength of the police in British India was fixed on general considerations before the period under report. It has been reduced in the past five years by revisions in the North-West Provinces, Bombay, and the Central Provinces, and increased slightly in Madras, in Port Blair, British Burmah, and Bengal. The increase in Bengal was caused chiefly by the formation of a salt preventive police for the coast districts, and specially for the salt districts in Orissa; also by the entertainment of police for the north-east frontier, the Bhootan Dooars, the hill tracts near Chittagong, and on the frontier towards British Burmah.

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Additional expenditure.

There have been further arrangements attended with a large expenditure which has been debited wholly, or in great part, to other branches, such as Railway Companies, Municipalities, and the like, *viz.* :—

1st—The formation of a railway police in the Bombay and Bengal Presidencies, which has been found essential to the security of traffic and the prevention of crime.

2nd—The incorporation of municipal police in the civil constabulary in the Bengal and Madras Presidencies.

3rd—The formation of the Kattywar police corps.

The police expenditure has been affected further by the transfer of the greater portion of the charges of the police in the three Presidency towns to the municipal rates in those towns.

Police Superannuation Fund.

As a set-off to these increases considerable relief will be afforded, for the term of more than one generation, by the abolition of the Police superannuation fund, Government undertaking to pay the pensions; which measure will ensure a reduction of the gross pay of head constables and constables without diminishing their net pay.

Military Establishments.

MILITARY AND MARINE.—The military establishments may be adverted to under two heads: *firstly*, those included in the army itself, or combatant; and, *secondly*, those connected with the army, or non-combatant.

The great changes, chiefly reductions, in the combatant establishment of the army, which have

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occurred since the financial troubles of 1857-58 were carried out before the commencement of the period under report. But some changes have been brought out within this period. These may be noted as follows.

In European Army.

In the European portion of the Army, there has been reduction as follows:—In the Artillery, seven field batteries have been reduced, and five heavy and light field batteries have been converted into garrison batteries, while three garrison batteries have been thrown off the Indian establishment by the transfer of the Straits Settlement to the Colonial department of the British Government. In the cavalry, the Lahore Light Horse has been disbanded, and the eleven regiments on the Indian Establishment have been reduced by 56 troopers each. In the Infantry, three regiments have been reduced, and the establishment of Privates, in the remaining 52 regiments, has been diminished by sixty per regiment.

In Native Army

In the Native Army, the following reductions have been effected:—A horse battery in Madras was broken up in 1865, and the Assam battery is under orders to be broken up; one regiment of native cavalry was reduced in Bombay in 1865, and the Bengal native cavalry regiments under the Commander-in-Chief were reduced in the same year by 36 troopers each. The establishment of native infantry regiments remains unaltered, excepting a recent addition of 50 men to each of the Punjab Irregular Regiments; but the Military

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estimates have been relieved from the charge for three infantry regiments, *viz.*, for two in the Straits, and for one in China. The organization of the Madras Native Infantry and Cavalry has been assimilated with that in the other Presidencies.

The administrative Departments of the Army.

Besides these changes in the number and the organisation or strength of regiments and batteries, there have been some modifications in the administrative departments of the Army. In the Commissariat the changes have been slight; the officers in the Bombay Commissariat have been re-classified, and a number of probationers, who form also the chief reserve against absentees, has been added to the department in the three Presidencies. In the Ordnance department an arsenal in the Bombay Presidency, and a buff leather manufactory in the Madras Presidency, have been abolished, but, on the other hand, a harness manufactory has been established in the Bombay Presidency. The gun-powder manufactories in Madras and Bengal have been remodelled, and Civil master armourers have been provided for the department. In the Barrack department, the Bengal and Bombay arrangements of Barrack Masters for barrack divisions have been extended to the Madras Presidency. In the Medical department, and the cognate branch of sanitation, a Sanitary Commissioner has been appointed, and Lock Hospitals have been provided for each of the three Presidencies, and, on the other hand, a medical store depôt has been abolished in the Bombay Presidency and a general hospital and a depot

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hospital in the Bengal Presidency. In the general staff a Director of gymnastics has been appointed.

Pay and Account Departments.

In the Departments of Pay and Account, the Military Finance department or Commission has been abolished and replaced by an Account Department attached to the Secretariat of the Government of India. Furthermore, several pay offices in the Madras Presidency, and a pay circle and a pension pay office in the Bombay Presidency, have been abolished. The office establishments in the Pay and Account department in the three Presidencies, and for heads of departments and Army Head Quarters staff, have been revised throughout in the Bengal Presidency, and almost entirely in the Bombay Presidency.

Charges for malt liquor.

Among changes which affect a comparison of the present military charges with those of former years, may be mentioned the transfer from the Indian to the Home accounts of an annual charge of about 40 lakhs, or £400,000, for malt liquor, and the cessation of further charge in this country for the passage of troops to and from England, owing to the establishment of a special overland transport service which is charged for in the Home accounts.

Marine Department.

In the Marine department there was a general revision of establishments in 1861 and 1862-63-64, or before the period under review. The largest reduction had been effected by the abolition of the Indian Navy. By that measure the sea-going marine of the Bombay Presidency ceased to be under martial law. It was arranged that the defence, and

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the maritime police and surveys, of the Indian seas and coasts should be undertaken by the royal navy. For these reasons orders had been issued in 1863-64 for a second reduction of the Bombay marine establishments. But in the five years under review, much of this second reduction was stayed, firstly, because the Royal Navy had not yet taken up various services at Aden, in the Persian gulf, and on the African coast, which had been performed by the Indian navy; secondly, by reason of the requirements of the Indo-European Telegraph, and thirdly, owing to the retention of floating batteries at Bombay pending the completion of fortifications, and the employment of some vessels in the construction of the harbour defences. The formation of an overland transport service for the reliefs, and for the invalids and recruits, of the European Regiments in India, has also added to the expenditure for the administrative staff at Bombay and Aden, and to the dockyard expenditure at Bombay.

Marine establishments in Madras.

In the Madras Presidency, the only marine establishments are those at the several ports; there are no vessels beyond a steam tug for the Paumban channel, which began to be employed in the period under review.

Sea-going Marine of Bengal.

In the sea-going marine of the Bengal Presidency, there has been a slight increase on account of the service of the settlement of Port Blair.

Marine Department in British Burmah.

In British Burmah, the Irrawaddy flotilla and the Rangoon dockyard were sold, and light-houses,

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with tenders for keeping up communication with the main land, were established for the coasts of British Burmah, in accordance with decisions passed by Government before the period under review. The surveys of the Rangoon river, and of the coast of Chittagong in Bengal, have also added to the marine charges.

Inland Steam Service in Bengal.

In Bengal, the inland Steam Service had been reduced in 1863-64, but consequent on the Bhootan war, the requirements of Assam, and the transport of opium and malt liquor by steamers since 1866, the flotilla was considerably enlarged till the present year, when it was determined to transport beer and opium by railway. Besides these alterations in the number of vessels, there has been a large expenditure in the repairs of some vessels and the replacement of other vessels, which had been worn out, or which were lost in the cyclones of 1864 and 1866. The staff of the Marine department at Calcutta has also been increased.

Inland Steam Service in the Punjab.

In the Punjab, an inland Steam Service for the navigation of the Indus from Sukkur to a point below Attock has been strengthened. Though the earnings of the flotilla fall considerably short of the expenses, yet they have progressed steadily, and the powindahs or land-carriers from Afghanistan are beginning to use the line of Government steamers as a link in their communications with Scinde.

Port funds.

The foregoing remarks relate to the general marine expenditure; in addition, a large amount of marine

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charge is paid from port funds. The solvency of these funds has been attended to; partial relief from past deficits has been given where necessary, and the obligation to keep the expenditure of the funds within their income, by improving the latter, or reducing the former, has been asserted,—with due consideration, however, for such special causes of embarrassment as the ravages of the cyclones in Calcutta, and the consequent heavy expenditure for repairs or replacement of vessels, and for renewal of moorings.

CHAPTER III.

EXPENSES OF SPECIAL DEPARTMENTS.

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Special Departments will be considered in the following order:—

1.—Education.
2.—Post Office.
3.—Electric Telegraph.
4.—Medical, Political, and Miscellaneous.
5.—Public Works.

EDUCATION, SCIENCE, AND ART.—Educational establishments and expenditure may be noticed under the following heads:—

1.—Direction and inspection.
2.—Colleges.
3.—Schools and Vernacular Education.
4.—Grants-in-aid.

Direction and inspection.

At the commencement of the period under review, two provinces, *viz.*, Oude and British Burmah, were without a Director of public instruction. The appointment of this official to the former province in 1864 gave a great stimulus to education, and the permanent continuance of the experimental appointment of a Director in British Burmah awaits a report of the results which have attended it in the past two years. The appointment, further, of Inspector has been created in Oude, and the strength

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of Inspectors has been increased generally in all other parts of British India. In Bengal the increase has been given specially for the supervision of vernacular schools and the improvement of vernacular education. An increase of deputy or sub-Inspectors for grants-in-aid and other inferior schools has also been provided.

Increase of Colleges and of Professors.

Within the past five years colleges have been established in the Punjab and Oude, and one has been added in the Madras Presidency. That in Oude is a memorial of Lord Canning, founded by the talookdars or landed aristocracy of the province, with help from the State under the grant-in-aid rules. In the older provinces of Bengal and in the Madras and Bombay Presidencies, the staff of professors has been strengthened to meet the requirements of the University course and the need for law lectureships, and by the improvement of the pay of professors the class has been more freely recruited from the Universities in England. The increase has been largest in the lower provinces of Bengal, where the higher education is in great development, and in consequence the fees in the Bengal colleges have been raised.

Increase in the number of schools and of Teachers.

Among schools, those of the first grade are the collegiate and zillah schools in the Bengal Presidency, the provincial and zillah schools in the Madras Presidency, the high schools and superior Anglo-vernacular schools in the Bombay Presidency, and normal schools in the three Presidencies. These have been increased in number everywhere, but principally in Oude, the North-Western Provinces,

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and the Punjab; and the strength of teachers per school has grown with the increase of pupils. The increase of Government schools will not check the growth of aided schools, for it has been determined to apply the principle of the grant-in-aid rules to all Government schools, whether zillah, middle grade, or lower grade, by dividing these kinds of schools into classes according to the curriculum, limiting the Government contribution for each class of school, and requiring sufficient schooling fees and other local income to defray the rest of the expenditure which must bear an adequate proportion to the gross cost ofthe school.

Grants-in-aid and Scholarships.

The principal increase of expenditure for education is in the amounts allowed as grants-in-aid and for scholarships. Owing to the rapid and large increase of grants-in-aid in Bengal, it was found expedient to remind the local Government that as the assignment on this head cannot be expanded indefinitely, a re-adjustment of educational charges paid wholly from the general revenues may in time be necessary. The number of scholarships has been increased in some provinces with the advance of the higher education, and in other provinces to stimulate the growth of the lower and middle class schools.

Assignments to be allotted on the principle of a grant-in-aid have been sanctioned for the promotion of native female education among the higher classes.

Medical Colleges.

The Medical Colleges in the three Presidency Towns have in a greater or less degree augmented

the charge for establishments by increase of staff or of establishments, or of stipends or scholarships, or of the scale or rate of expenditure for hospital diets and clothing. The expenditure for the last two items is partially set off by an increase of the charge to paying-patients in hospitals

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Survey establishments.

The head Science and Art includes the trigonometrical and topographical surveys of the Bengal Presidency, the geological survey of India, and museums at the Presidency Towns. The trigonometrical and topographical surveys and the agency for the professional part of the revenue surveys in the Bengal Presidency have been reorganised. The Surveyor General has been allowed an additional or second Deputy. The office establishments and the drawing and lithographic establishments under the Surveyor General have also been revised and strengthened, so as to clear off the heavy arrears of map drawing, and the publication of maps. This last has been very much accelerated and cheapened by the introduction of the photo-zinco-graphic process, and the employment for it of a competent staff and establishment. The remaining increase of charge for establishments has been caused by extra parties for pendulum experiments, in conjunction with the astronomical and geodesical operations of the trigonometrical survey, and for the topographical survey of Guzerat.

The geological survey has been strengthened in its museum and by the addition of a mining Geologist. The Calcutta museum has been recon-

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stituted under a trust as a Government establishment. The grants for schools of industrial Art have also been increased, but sparingly, so as not to weaken the pressure which is put on these institutions to raise as much income as may be possible for their own support.

Postal Department.

POST OFFICE.—The increases of establishment and of other charges in this department may be noticed under the heads of—

1.—Supervision.
2.—Postal Delivery Establishments.
3.—Line Establishments and communications by sea.

Appointment of a Chief Inspecting Post-Master.

A Post Master General has been allowed during many years past for each Presidency and Lieutenant Governorship. At the beginning of the period under review there was a chief inspecting Post Master for Scinde and another for British Burmah; the status of these officers has been materially improved since; a similar officer has been allowed recently for the Central Provinces; the class of inspecting Post Masters in Bengal has been improved, the staff of these officials in the three Presidencies has been strengthened, and a class of sub-Inspectors has been created for visiting the minor post offices.

Compiler's salary and establishment.

The method of accounting for all the postage collected by a Post Master on bearing letters, &c., has been reformed. In effecting this reform it has been necessary to strengthen the establishment

of the Compiler of Accounts and increase his salary; the expense is more than covered by the increased receipts of postage on bearing letters.

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The office establishments of the Director General and the several Post Masters General have been revised, and the Director General has been allowed a Deputy to aid him in inspections and for preparing a quarterly edition of a Postal Guide, similar to the British Postal Guide, and for other special work of a like nature.

Establishments of Director General and Post-Master General.

Under the head of postal delivery there has been a large increase of post offices. At the end of 1863-64 their number was 961: it is now 2,284. There has also been a general revision of post offices; first in British Burmah; then in Assam, where the post-offices were taken over from the civil officers and placed under Post Masters directly subordinate to an improved inspecting agency; and lastly throughout the three Presidencies.

Increase in the number of Post Offices.

The office establishments of the Post Masters in the three Presidency towns have also been strengthened for the increased work and the requirements of the more frequent mail services with Europe and beyond sea; and in Bombay a considerable expense has been incurred for an establishment of sea-sorters on the Peninsular and Oriental Steam Navigation Company's vessels between Bombay and Suez. The expense, however, was partially set off from the first by the reduction of the several agents formerly employed by the London Post Office, and is more than covered by an incidental saving of the cost of extra mail

Increase to the offices of the Post-Masters in the three Presidency towns.

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trains on the Great Indian Peninsula railway for the mails from Europe.

District Post.

The district post has been revised and extended in both delivery and line establishments in the Madras and Bombay Presidencies, in the Central Provinces, the North-Western Provinces, and Oude. In all, except the last named province of Oude, it has been placed under the management of the local Post Master General or Chief Inspector. In the Madras and Bombay Presidencies the whole expense is charged to the general revenues, but in the above-named provinces of the Bengal Presidency the expense is met from a local cess aided by a subsidy from the general revenues and the profits of the Government bullock train. These measures have much improved the delivery of letters, and especially of native letters.

Statistics of postal communication.

The statistics of the extent of postal communication at the end of 1863-64 and at the present day are as follow:—

	End of 1863-64.	End of 1867-68.
By Rail	2,473	3,988
Mail Cart and horse dâk	5,156	5,140
Runners and boat lines	33,853	34,930
Sea	5,137	5,613
	46,619	49,671

Improvements of postal communication.

The principal improvements may be thus summarised: by the extension of the railway, the means

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of transmission of the ordinary and overland mails between Bombay and the Bengal Presidencies and between the Punjab and Kurrachee have been almost perfected, and the communication between Bombay and the Madras Presidencies, and on the principal lines between the several provinces of the Bengal Presidency, has been greatly improved. The mail cart or other lines which fill up the breaks in the railway communication between Presidencies and Provinces and with the Berars have been made efficient; the lines in outlying provinces or tracts, such as British Burmah, Assam, Oude, the eastern part of the Central Provinces, Kattyawar, and the communication by land between the Bombay Presidency and Scinde from Ahmedabad, have been revised; and in fact there has been a general revision of post lines, including the parts of the three Presidencies which are distant from lines of railway.

Increased expenditure met by savings.

These changes have been effected at an increased charge for establishments, which has been compensated by a saving of other expense in the case only of railways. Where this means of communication has been extended, an additional charge has been incurred for mail guards, accommodation for sorting or travelling post offices, and the hire of extra trains; but the expense has been compensated by the reduction of expensive mail cart establishments. This latter saving, however, has in effect been appropriated in substituting mail carts for runners in other places.

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Indian Carrying Company and Government Bullock Train Agency.

In 1862 an Indian carrying company was established with the object of securing and improving traffic on roads connected with the lines of railway in India. To promote their views, the Government withdrew from its bullock train agency and entered into certain arrangements with the Indian carrying company. In 1867 the Company asked to be allowed to withdraw from the contract. This was agreed to, and the Government has re-established the bullock train agency. Not long previously, in 1865, it had been obliged to establish a similar Agency, including a passenger service and a military van dawk from Lahore to Peshawur, and between Rawul Pindee, Kohat, and Jheend on the Punjab frontier; and in the present year a parcel and passenger service has been established between Nagpore and Jubbulpore on the main line between Calcutta and Bombay. Bi-monthly cargo boats have also been provided for the traffic between Rangoon and Tounghoo. The system being thus nearly completed in the Bengal Presidency, the Director General of the post office has been empowered to extend it into a general agency throughout India for booking goods to destination.

Contracts with Peninsular and Oriental Company for overland mails.

Under the head of subsidies to steam companies may be noticed the renewal of contracts with the Peninsular and Oriental Company for the overland mails. In supersession of the mail services under the former contract, a weekly mail has been established between England and Bombay, at the cost of a largely increased subsidy to the Peninsular

and Oriental Company for the entire service, and of the Indian Government's share of that payment. Part of the extra expense may be recovered from an increase of postage. EXPENDITURE.

Some contracts with the British India steam navigation company having expired in 1867-68, they have been renewed at an additional charge for extra advantages. Contracts with British India Steam Navigation Company.

ELECTRIC TELEGRAPH.—Establishments and expenditure under this head have been increased in both the Indian and the Persian telegraph departments, principally in the former. Electric Telegraph.

The Indian telegraph department has been reorganized. The three Directorships in Bengal, Madras, and Bombay have been abolished by an increase of the number of superintendents of circles. Two Deputy Directors General and a special superintendent for works of construction have been added to the Director General's staff; and two gentlemen have been appointed for instructing Assistant superintendents of circles and others in the improved methods and the executive details of European telegraphy. The number of signallers has been increased by strengthening old offices and opening many new ones. New training schools have also been formed. The work of construction, re-construction, and repairs has embraced an extensive re-insulation of lines, an increase of wires on the main lines which connect Bombay with Madras and with Kurrachee, the North-Western Provinces and Calcutta, the telegraphic connection of Hyderabad Re-organization of the Indian telegraph department.

EXPENDITURE.

with the eastern coast; the formation of some alternative lines, the renewal of telegraph lines in Assam, and the construction of various new lines between important stations.

Indo-European Telegraph.

The expenses of the Indo-European telegraph form a new charge in the Indian accounts in the period under review. The staff of the telegraph in the Persian Gulf and Mekran line has been increased; a second wire for the Persian telegraph has been added.

Miscellaneous departments.

MEDICAL, POLITICAL, AND MISCELLANEOUS.—Under this general heading the remaining measures involving increases of establishments or of charges in the Civil Department may be gathered up, *viz*:—

1st.—Offices and establishments for the interior or branch circles of paper currency at Allahabad, Lahore, Nagpore, and Kurrachee, and for three interior circles in the Madras Presidency.

2nd.—A large increase of charitable dispensaries under rules which render obligatory local contributions towards the cost of the dispensaries. This principle was enforced for many years in Bengal; it has been introduced in the past five years into the North-Western Provinces, the Punjab, Oude, the Central Provinces, and British Burmah, and its fuller observance has been enjoined in the Madras and Bombay Presidencies.

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3rd.—Sanitary measures, *viz:*—

(a).—The appointment of a Sanitary Commissioner under each local Government and Administration, and of a Sanitary Commissioner under the Government of India, and the provision of office establishments for them.

(b).—The re-organization of establishments for vaccination under Superintendents General, or Superintendents of Vaccination throughout British India:—where practicable, the liability of municipalities to contribute to this expense in towns has been asserted.

(c).—Meteorological reporters for Bengal, North-Western Provinces, and the Punjab, and allowances and establishments for meteorological Observers in the three Presidencies.

(d).—Establishments for Lock Hospitals.

4th.—Political Department, *viz.*, the appointment of a Political Agent at Mandalay and of additional Assistants to the Resident in the Persian Gulf and to the Governor General's Agent in Central India, the revision of the civil administration of Kattyawar, and the re-construction of the Bundelcund Agency.

EXPENDITURE.

5th.—The appointment of a Cotton Commissioner for promoting the cultivation and the improvement of cotton in the Central Provinces and the Berars.

6th.—The institution of agricultural exhibitions in Bengal, the North-Western Provinces, the Punjab, the Central Provinces, and Khandeish, the holding of an exhibition for cotton manufactures in Broach; and the establishment of a model farm in Khandeish.

Irrigation department.

PUBLIC WORKS.—Under this head, the principal increases of establishment are on account of irrigation works, for the prosecution of which Executive Engineers and Assistant Engineers have been added to the establishments in the Madras and Bombay Presidencies, and in the older provinces of the Bengal Presidency, the strength of upper and lower subordinates being also increased in the North-Western Provinces and the Punjab. For the supervision of irrigation projects, and the better control of irrigation works, there have been allowed a Chief Engineer on the footing of an Under Secretary to the local Governments in Bombay and Bengal; a Superintending Engineer in the Central Provinces, and temporarily in British Burmah, and other special provision in Oude. In the North-Western Provinces and the Punjab new aid of this kind has not been given, because Irrigation Departments have existed there from before the period

under review; but in both provinces those departments have been entirely remodelled, at a specially heavy expenditure in the North-Western Provinces, owing to the necessity for remodelling the Ganges Canal. In the Central Provinces the Godavery project has entailed a heavy charge for establishments. EXPENDITURE.

The number of executive divisions generally in the several provinces of the Bengal Presidency has been further increased by the large expenditure for barracks, jails, and roads, the more vigorous prosecution of public works in Assam, and the heavy works of construction in progress in Calcutta. A like increase has occurred in the Madras Presidency, where the establishments have been re-organized, and in the Bombay Presidency, where the divisions have been re-distributed, and where a large expenditure for establishments at Bombay has been caused by the general re-construction of public buildings at the Presidency Town, and by the works of reclamation and harbour defence which are in progress. General branch.

In furtherance of the scheme of trunk roads in Rajpootana and Central India, the establishments in the Rajpootana Circle and in Central India were gradually increased, till at length the two circles were recently re-organized under a Chief Engineer. Trunk roads in Rajpootana and Central India.

Consequent, chiefly, on the new system of accounts, and, latterly, from the increased expenditure for irrigation, the office establishments of Executive Engineers have been revised in the three Pre- Office establishments.

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sidencies, so as to provide a qualified accountant for each division, and generally with an increase of the strength of clerks. The office establishments of Chief Engineers and Superintending Engineers have also been strengthened, while the expense under these several heads has been partially set off by a reduction of the cost of the office establishments of Controllers of public works accounts. At the same time it has been found necessary to increase the staff of Controllers and Assistant Controllers of public works accounts, on account of the re-organization of the establishment in Central India, and the increase, and the special treatment henceforth, of the expenditure for irrigation works.

Railway department.

The railway department consists of the Consulting and Deputy Consulting Engineers, through whom Government exercises the general control which it is required to maintain over railways, and of the Government Examiners of railway accounts. Owing mainly to the completion of the East Indian Railway to Delhi and the necessities of the through traffic, the controlling staff in Bengal and the North-Western Provinces has been consolidated under the Government of Bengal; that under the Government of the Punjab has been re-organized, consequent on the progress of railways in the province; the staff in the Bombay Presidency has been strengthened at various times on account of works of construction and re-construction; and a Consulting Engineer has been appointed for Oude. A staff of examiners of railway accounts, aided, where necessary, by Ac-

countants, has also been provided for the audit of the accounts of Railways in India, under the new system which will be noticed under the head of Accounts.

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CHAPTER IV.

EXPENSES OF PUBLIC WORKS AND IMPROVEMENTS.

EXPENDITURE.

The revisions of Public Works establishments have been mentioned in a former chapter, and the facts relating to Public Works expenditure will be noticed in a subsequent chapter. The present chapter will be confined to such other points of the administration of Public Works as affect the finances.

Large scheme of Barracks.

The first point to be noticed is the determination of a large sum for the outlay on the accommodation for the European Army in India. This was done in 1865. The estimated cost of the scheme of the new military buildings is ten millions sterling. The work was considered so urgent that its cost could not be spread over a large number of years. The expenditure began in 1864, since when $4\frac{3}{4}$ millions have been spent, leaving $5\frac{1}{4}$ millions to be still expended.

Loans for reproductive works.

With regard to reproductive works (that is, works calculated to yield a directly remunerative return to the State), it was determined in 1866 that the funds for them, when not obtainable from the cash balances, might be provided by a loan. The works primarily held to belong to this category are those for irrigation in India generally, and those pertaining to what is known as the special fund at Bombay. The important principle of borrowing for these purposes has been carried into

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effect. In the two past years £1,926,082 have been spent on the larger irrigation works, and the Bombay special fund works, while the amount borrowed for them has stood at £1,500,000. EXPENDITURE.

The special fund in Bombay is designed to consist of the proceeds of sale of the land on the site of the old fort and esplanade; and of a portion of the land which may be reclaimed from the sea. Large sales were effected in 1864 and 1865, but since then the sales have ceased. The cost of providing Bombay with new civil buildings, and of the works of harbour defence and reclamation, were to be defrayed from this source. The income realized has in all been £715,000, while the expenditure up to April 1868, and the grant for 1868-69, have amounted to £2,196,000. In anticipation of the eventual recovery of the outlay from the sale proceeds of the land it has been decided to provide funds for these special works by means of loans. As above seen, the deficit, *i. e.*, difference between £715,000 and £2,196,000, has amounted to £1,481,000. To meet this, it has as yet been found necessary to borrow £600,000. Special fund works.

The formation of new districts, the extensive works in Calcutta and Allahabad, the improvement of the Kurrachee Harbour, and expenditure for Central and District Jails all over India, have raised the outlay for civil buildings somewhat above the amount in 1863-64. On the other hand, the expenditure on roads and communications has shown a tendency to decrease; in other words, we are not Civil works.

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spending quite so much as we were on this very important branch. This falling off has been unavoidable by reason of the large allotments demanded for irrigation and specially for military works.

Net result

The net result has been an augmentation in the total expenditure on Public Works from £5,378,523 to £6,894,660 within the period under review, being an increase of 28 per cent. In 1863-64 the above expenditure was at the rate of 10 per cent. on the total revenue of 45 millions. In 1867-68 the expenditure was at the rate of 13 per cent. on the total revenue of 48½ millions. The above totals are exclusive of guaranteed interest and other State payments for railways.

Railways.

The question whether the further extension of Railways in India could not be carried on without a State guarantee of interest on the paid up capital has been determined. In 1866 it was declared that experience showed the necessity of continuing the guarantee system. The question whether the rate of such interest can be reduced for new lines, and whether the State control over railway expenditure can be improved in efficiency, is now being considered.

Guaranteed interest.

The amount of gross guaranteed interest paid by Government has risen from £2,490,831 in 1863-64, to £3,865,000 in 1868, owing to the large increase of the Railway capital, which has been raised for works of construction, and which has risen from 55 millions in 1863-64 to 81 millions in 1868. But the net amount of guaranteed interest, (that is, after deducting net

EXPENDITURE.

traffic receipts, or traffic receipts less working expenses,) is less than in that year, owing to the improved earnings of some of the Railway Companies. This net amount has fallen from £1,700,000 at the beginning of the period under review to £1,203,000 at the close. The gross traffic receipts have risen from £1,720,000 in 1863-64 to £4,875,112 in 1867-68. The current year, not yet concluded, will doubtless show a further increase. The fact, that the traffic receipts of Railways in India should be close upon five millions annually, affords striking proof of the progress of the country.

Railway from Lahore to Rawul Pindee.

It has been determined to construct a Railway from Lahore to Rawul Pindee by Government agency, from funds which may be raised by loan. This will be the first undertaking of the kind in India.

Local funds arising partly from various cesses, partly from special taxation, have long existed in India. During the period under review, they have been brought under the same budget system which is prescribed for all other departments, whereby receipts and payments are annually brought under regular consideration. There has been a great expansion of the funds in the past four years, and the amount devoted for them to works and public improvement has risen from £2,049,303 in 1863-64 to £2,932,521 in 1868-69.

It has been deemed expedient to apply a check to the borrowing of money by municipalities on the credit of their revenues. It has been decided that the Government, on being satisfied

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of the merits of the case, will guarantee such loans as may be needed; or will advance the money, on interest, from its own cash balances, exacting proper security for repayment. In furtherance of this policy a loan of 52 lakhs, £520,000, to the municipality of Calcutta has been sanctioned for the water supply project.

CHAPTER V.

REDUCTIONS AND RETRENCHMENTS OF EXPENDITURE.

EXPENDITURE.

Details under this head would be too diffuse for this summary. It may be observed generally that a large expenditure has been saved or avoided by positive reductions of charge arising from diminution of pay or strength, by negativing or modifying propositions for increases of salaries and establishments, and by requiring adequate contributions from local, municipal, or other special sources, for those kinds of expenditure which should not be borne entirely by the general revenues. The character of the reductions or retrenchments may be indicated by noticing such items as admit of generalisation.

Savings in Land Revenue expenditure

Under the head of Land Revenue, a considerable expense for officers and subordinate executive officers has been avoided by modifying proposals for increases of their salaries in the Non-Regulation Provinces, Bengal, and in the Revenue Department of the Bombay Presidency, and by disallowing the creation, or directing the reduction, of several appointments and of one revenue district. Increases of salary have also been refused in other instances. Large sums have been retrenched by modifying proposals for a revision of ministerial establishments, such as those of the Settlement and Revenue Departments in the Central

EXPENDITURE.

Provinces, and the Revenue department in Oude and the Punjab; and lesser sums in the Bombay Presidency, and in Assam. Furthermore, tehsil or sub-collectorate treasuries at the head quarters of zillahs or districts have been abolished in the Central Provinces, Oude, the North-Western Provinces, and in several districts of the Bombay Presidency, and a similar reduction has been urged on the Government of the Punjab. Every such reduction causes a saving of charge for police guards and treasury establishments. The strength of peons or orderlies in the Revenue department, Bengal, in sub-collectorate establishments in the Central Provinces, and in establishments of districts and of sub-collectorates in the North-Western Provinces and the Bombay Presidency, has been reduced, together with other petty officials in the three last named divisions of territory. The reduction was made in fulfilment of a condition imposed by the Government of India before sanctioning an increase of other charges for revenue establishments.

Excise.

In the department of Abkaree or Excise, three Deputy Superintendents of Stamps and Excise in Oude, and about half a lakh, or £5,000, a year for sudder distillery establishments in Bengal, have been reduced; but the saving in Bengal has been absorbed in the cost of extending the system.

Customs.

Some establishments in the customs line in the North-Western Provinces were reduced in 1865, but the saving has been absorbed in the subsequent extensions of the line, which extensions cause

additions to the revenue. The appointment of a Collector of Customs at Thayetmyo in Burmah has been abolished, an increase of salary for the Collector of Customs, Madras, has been refused, a proposal for raising the salary of the corresponding official at Kurrachee has been modified, and an application for the formation of a pension fund for the Customs department, North-Western Provinces, has been negatived. EXPENDITURE.

In the Opium department a very large saving was effected by reducing by eight annas a seer of 2lbs the price paid to the cultivator for crude opium, and by abolishing some sub-divisions in the Benares agency. The salaries of the Opium Agents have also been reduced. Opium.

The expediency of abolishing the Madras Mint has been under consideration, and the measure may be carried out in a short time. Mint.

In Administration and Public Departments the salaries and the number of the members of the Revenue Board, Bengal, have been reduced, and an Assistant Accountant General, Bombay, has been abolished, and applications for the appointment of a Medical Inspector of Emigrants, Bombay, and an Under Secretary to the Chief Commissioner, British Burmah, have been rejected. An increase of salary has been denied to the Medical Inspector of Emigrants, Bengal. Administration and Public Departments.

Under Law and Justice the number of subordinate courts has been reduced by the substitution of itinerating Small Cause Courts, and, Law and Justice.

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further, some Small Cause Courts in Bengal have been abolished by doubling up their jurisdiction and in other ways. An increase of salary to the Judge of Small Causes at Nagpore has been refused. A scheme for the revision of judicial establishments in the Bombay Presidency has been considerably modified as to officers, and other portions have been referred back to the Local Government for reconsideration of the strength of ministerial establishments, and of the unusually high pay proposed for a numerous class of bailiffs, &c. A similar scheme of revision of ministerial establishments in the civil courts in the Madras Presidency has also on similar grounds been remanded to the Local Government for reconsideration.

Registration of assurances.

On the formation of a department for the registration of assurances in the Madras and Bombay Presidencies, the North-Western Provinces, Punjab, and the Central Provinces, considerable reductions, generally, were made in the scale of charge which had been submitted to the Government of India, and the expenditure for this department is kept within its receipts.

Jails.

In the jails the strength of fixed and contingent guards has been revised and in general reduced, the measure being assisted by the substitution of convict for paid warders to a limited extent, yet with a considerable saving. Reductions of this kind are still being carried out gradually by the Local Governments, whose attention has been drawn to the heavy expense of guarding jails. The cost of general

revisions of jail establishments in the Bombay Presidency and in British Burmah has also been reduced considerably below that which was originally proposed. EXPENDITURE.

The police in Bengal, the North-Western Provinces, and the Bombay Presidency, and the mounted police in the Central Provinces, have been reduced in strength. In Bengal the high pay which had been allowed for certain grades of the police has been cut down at a considerable saving of expense, and a proposition for a costly scheme of police schools has been negatived. In the North-Western Provinces the reduction in strength led to a considerable saving in cost. In the Bombay Presidency there has been much of similar saving; but on the other hand it has been absorbed in raising the pay of the police. A large portion of the gross increase of pay which the Local Government recommended for constables has, however, been disallowed. In the Madras Presidency the total police charge having been reduced by a considerable retrenchment to 39 lakhs (£390,000) a year, applications for large sums in excess of this limit have been repeatedly negatived. The Government of the Punjab and the Administration of Oude have also been required to meet fresh Police charges from the limit which was prescribed for their expenditure in 1863-64. A Deputy Inspector General of Police has been abolished in Oude. Applications for an additional district superintendent in the North-Western Provinces and for additional assistant district superintendents Police.

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in the Central Provinces, have been rejected. By the abolition of the Police Superannuation Fund a further large saving will be effected, without interfering with the real security of the Police Officer's pension.

Education, Science and Art.

The expenditure under "Education, Science, and Art" is progressive; nevertheless some retrenchments have been made. Propositions for increased charges for zillah and tehseel schools in the North-Western Provinces, and for tehseel schools in the Punjab, have been cut down by considerable annual sums; applications for larger pay than the general rate for head masters of schools which merely train up to the standard of the university entrance examinations have been negatived, and an expenditure for vernacular schools in Bengal which, if extended, on the present scale, over the Lower Provinces, would exceed 20 lakhs, £200,000 a year, has been checked at its present limit of one and a half lakh till the Bengal Government shall have provided adequate local income for extending the system with partial help from the State. Repeated applications from the Bombay Government for a contribution from the general revenues of an amount equal to any annual assignment for educational buildings from the local educational cess have been negatived, as being at variance with the grant-in-aid rules, and because a concession would commit the Government to an outlay of about 9 lakhs (£90,000) a year, for this one item, in the Bengal Presidency alone.

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Medical Service.

In the Civil Medical Department, representations from some Local Governments that medical officers in civil stations should generally receive the consolidated pay prescribed for those in medical charge of regiments were disallowed: several of the minor stations have been transferred from covenanted to uncovenanted medical officers, or have been amalgamated with the circles pertaining to regimental medical officers at the same stations; an increase of strength in the medical staff at Madras, and of allowance for a medical officer at Bombay, has been avoided by redistribution of duties; a recommendation for raising the pay of Sub-Assistant Surgeons in Bengal was negatived, and schemes proposed by the Local Governments for promoting vaccination in the Punjab and the Madras Presidency were modified at a considerable saving of expense in the aggregate.

Marine.

In the Marine branch, the dockyard at Rangoon and the Irrawaddy flotilla have been sold, and the steam flotilla in Bengal which was employed for conveying malt liquor up-country and bringing down opium has been put out of commission, but a great part of this latter saving will be absorbed by payments for railway transit of the malt liquor and opium. In Bombay one sea-going transport and a vessel for harbour service have been reduced. The salary of the Master Attendant and Post Master, Kurrachee, has been reduced.

Transfer of charges to Local Funds, &c.

Besides these reductions and retrenchments of civil expenditure, the general revenues have been relieved by transfer of charge to the local funds, or

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by obtaining an equivalent for it from local sources of income, as in the following instances:

LAND REVENUE.—By way of compensation for the additional charge incidental to liberal increases of the pay of ministerial establishments of the Revenue Courts in Bengal, the North-Western Provinces, Oude, and the Central Provinces, and of sub-collectorate establishments in the three last named provinces, the surplus of the funds for serving processes in those divisions of territory has been credited to the general revenue. The pay of officers absent in Europe from the administrations of the Berars and Mysore, formerly treated in England as a part of the Home expenditure, is now recovered from those territories. The cost of the contour survey in Rohilcund has been charged to the local fund of the Terai Pergunnahs.

FORESTS.—The expense of planting and preserving roadside trees has been charged on Local Funds.

LAW AND JUSTICE.—The surplus of the funds for serving processes of the civil courts in the North-Western Provinces has been appropriated, and that in the Bombay Presidency is to be appropriated, to the general revenues in consideration of the liberal increase of pay of ministerial establishments in the judicial department. It has been ruled that when convict labor is lent to municipalities, its cost shall be recovered from them.

POLICE.—A considerable part of the charge for the police of the three Presidency towns and a portion of that for the Calcutta suburban police has been transferred to municipalities.

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EDUCATION, SCIENCE, AND ART.—In Bengal, the scale of fees in colleges has been raised on account of the increasing charges for those institutions. In the Bengal Presidency beyond the Lower Provinces, and in the Bombay Presidency, one-half of the cost of normal schools, the whole of the stipends of students who are being trained there for schools chargeable to the educational cess, and the cost of all tehseelee schools in excess of one per tehseel, are recovered from the cess. It has also been directed that the amount of State expenditure for Female Schools must be regulated by the amount of popular contribution. Additional charge for the schools of Industrial Art in Calcutta and Madras has been refused, in order that it might be defrayed from local income.

MEDICAL SERVICES.—The popular contributions towards the expenditure for Dispensaries have been mentioned in a previous chapter.

MARINE.—Light dues have been levied to cover the cost of Light House establishments in British Burmah.

POLITICAL AGENCIES AND FOREIGN SERVICES.—The native chiefs in Kattyawar have been required to contribute towards the cost of native troops that have been substituted for a local force which the chiefs were liable to maintain at an annual charge of one lakh or £10,000. Another half lakh a year having been sanctioned for the improvement of the civil administration of Kattyawar, it was directed that, as far as possible, it should be made

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good from the institution fees in the local civil courts.

MISCELLANEOUS.—Proposals to charge to the general revenues large increases of expenditure for the district dâk, North-Western Provinces, which cannot be met from its current income, have been negatived on the ground that they should be met from the balance at credit of the district dâk fund.

Public works expenditure in the civil department.

Latterly, there has been a tendency to a considerable increase, in the civil estimates and accounts, of charges for public works which, practically, are an addition to the public works allotment. To check this, and enforce the payment from that allotment of charges for buildings which come within the category of public works, large sums have been disallowed from educational and other estimates.

Reductions of Army expenses.

The reductions of Military Establishments have been noticed in a former chapter.

PART II.

MEASURES RELATING TO REVENUE AND RESOURCES.

In this part will be considered: Ordinary heads of Revenue, *viz.*, Land, Excise, Opium, Salt, Customs, Stamps, Post Office; Special Taxation, *viz.*, Income Tax, License Tax; Local Taxation; and Loans. RESOURCES. Subjects treated of in Part II.

It will be seen that in every head and category some important improvement has been introduced.

CHAPTER VI.

ORDINARY HEADS OF REVENUE.

LAND REVENUE.—A revision of the former regular settlements of land revenue has proceeded in the Madràs and Bombay Presidencies, and in all parts of the Bengal Presidency where the settlements were open to revision, such as the North-Western Provinces and the Punjab. A regular settlement has been made for the first time throughout Oude and the Central Provinces. A similar settlement is being made in Assam and British Burmah. In the Madras Presidency the usual improvement of the land revenue from such revision has been enhanced by the bringing under Settlements of Land Revenue.

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assessment much land that had unnecessarily escaped taxation, and in both Madras and Bombay Presidencies there has been further fiscal benefit from increase of cultivation consequent on a general rise in prices. In Oude the revision of settlements will add £340,000 a year to the revenue; in the Central Provinces an increase in the revenue of about twelve per cent. has been obtained, so far as the settlement has as yet progressed; in the Punjab and North-Western Provinces similar advantages will be obtained; in British Burmah the principal and immediate benefit aimed at is the foundation of a system which will be fiscally productive in after years. The extension of the permanent settlement to the North-Western Provinces, in other words, the limitation of the Government demand for the land tax in perpetuity in those provinces, has been carefully considered; and it has been decided that an estate, whether receiving canal water or not, shall be admitted to a permanent settlement only if at least 80 per cent. of its culturable area is under cultivation, and if there be no clear and definite foundation for the hope of an increase of its assets by 20 per cent. within twenty years.

Proceeds of sale of waste lands.

Before the period under review it had been ordered that the proceeds of sale of waste lands should be employed in extinguishing debt by the purchase and cancellation of Government securities. In 1865, however, it was ordered that the Government securities purchased with the proceeds of the sales since 17th October 1861 should be retained under

the custody of the Local Governments concerned, and that the interest thereon should be credited to Land Revenue. The entire sum thus invested, according to the latest account, amounts to £275,753.

ABKAREE, OR EXCISE ON DRUGS AND SPIRITS.—Formerly this revenue was farmed to contractors, whose interest it became to stimulate drunkenness, inasmuch as the price which they paid for the farm was virtually adjusted, on conjecture, to the probable past consumption, and any increase upon that consumption augmented their profit. Thus, although the system had been fiscally productive, yet in general estimation it had a tendency to encourage drunkenness. It has now been superseded by the sudder or central distillery system, or that of taxing every gallon of the actual consumption at the place of manufacture of the spirits. Thereby the tax operates directly as a check upon undue consumption, like all excise in other countries. This improved system was introduced into the North-Western Provinces, and into a part of Bengal, before the period under review. During that period it has been introduced throughout the Central Provinces, Oude, and the Punjab, and into parts of the Bombay Presidency. At the outset its introduction entailed a loss of revenue, which was readily borne in regard to the avoidance of the moral objections to which the old practice had been obnoxious. But it will be seen further on that the revenue has since fully recovered itself, being half a million greater in the current year than in 1863-64.

RESOURCES.

Sale of opium.

OPIUM.—In the early part of the period under review it was customary to bring forward at the Government sales of opium all the produce, in each season, of the Behar and Benares opium agencies. The effect in two prolific seasons in 1863 and 1864 was a glut in the market which depreciated the price of Malwa as well as of Bengal opium, and endangered the duty of Rs. 600 a chest on Malwa opium. In reference to this and other similar considerations, and in order to keep the prices of Bengal opium steady, to check the tendency to speculate, and to make the fiscal out-turn more certain in amount, it has been resolved to sell a fixed number of chests annually, at present determined at 48,000 chests in Bengal; to give ample notice of any change of the quantity to be annually brought forward, and to create a reserve stock from which to make up any deficiency in the fixed quantity in a bad season. This reserve, fixed for the present at 10,000 chests, has not yet been formed; when it shall have been obtained, then violent fluctuations in the price of opium will be prevented.

The low prices during the above-mentioned glut in the opium market led the opium merchants at Indore to petition for a reduction of the duty on Malwa opium; but the causes which had brought about the depression of the opium trade having been removed in two following years no reduction has been found necessary.

Net revenue.

It has recently been decided to take credit for only a certain sum of opium revenue annually,

proposed at $6\frac{1}{2}$ millions net, after deducting expenditure; any sum in excess of this to be held in the general reserve of the Treasury. By these means the element of uncertainty in respect to opium will be removed from the Indian Budget, as the $6\frac{1}{2}$ millions will, at all events, be rendered comparatively certain. RESOURCES

SALT.—The duty on salt in the Bombay Presidency was raised from Re. 1-4 to Re. 1-8 a maund of 82 lbs. in January 1865 to equalise it with the duty in the Madras Presidency. More recently an increase in the charges of manufacture of salt in the latter Presidency having reduced the rate of profit or duty, out of the maximum selling price, below Re. 1-8 a maund, the maximum was enhanced by legislation to the extent requisite for securing that rate of duty. An Act has also been passed enabling the Government of Madras to substitute the excise system, wherever expedient, for the present system of manufacture by individuals who are permitted to sell only to the Government. Salt duty in Bombay and Madras.

In British Burmah the excise duty on salt has been raised from $2\frac{1}{2}$ annas to 3 annas a maund. In the Central Provinces, the extension of the Customs Line, round their west and southern frontier to a point in the eastern districts, has brought the territory south of Nagpore under the special duty that is levied on Bombay and Madras salts which enter those provinces. Measures have also been adopted for levying this duty on railway-borne Salt duty in British Burmah.

RESOURCES.

Bombay salt without hindrance to the general traffic of the railway.

Salt duties in Bengal and Northern and Central India.

More recently it has been held that the duties throughout the Bengal Presidency are too high, and that some attempt should be made to bring the duties in different parts of India to something nearer equality, and a scheme for a revision of the salt duties, whereby effectual relief will be afforded to the population of Bengal and of Northern and Central India, has been submitted to the Secretary of State for India.

Duty on stamps used in judicial proceedings.

STAMPS.—These duties are of two classes; Schedule A, or Stamps on papers used in transactions generally, commercial or other; Schedule B, or stamps used in judicial proceedings. The rates of these duties continued unaltered until 1867-68, when the duties in Schedule B of the Stamp Act, or those relating to judicial proceedings, were revised with a considerable augmentation on the whole. The measure has added greatly to the revenue, but there is fear lest it should operate injuriously by unduly checking litigation. This has led to a further revision with a view to mitigation which is still in progress; and the opportunity is being taken to revise the Schedule A, or commercial stamps, in order to bring the principle of these duties into nearer accordance with that which prevails in England.

Stamp revenue.

The administration of the Stamp revenue of a whole Presidency or Province by a special Superintendent was in force in some parts of British India before the period under review. The measure has

been sanctioned during that period in the Bombay Presidency and in the Central Provinces. In the Punjab the working of the Stamp Act has been investigated by an officer who was specially deputed for the enquiry; and in a Bill which is now before the Legislative Council means are being provided for a more efficient working of the Act and a stricter enforcement of its provisions. Various minor improvements affecting the "bi-color" and "adhesive" Stamps have been devised for the prevention of fraud or mistake in this branch of the revenue.

RESOURCES.

Import duties and revision of Customs Tariff.

CUSTOMS.—In the beginning of 1864 the general rate of import duties was reduced from 10 per cent. to 7½ per cent. In 1867-68 the Customs tariff was revised both as to duties and valuations. For the former a new classification was adopted. Instead of enumerating certain articles which shall be free, and leaving every other article subject to duty, the opposite plan was adopted, on the report of a committee, of enumerating the articles which are to pay Customs duties, every article not enumerated being free, as in the English tariff. On the same occasion numerous articles which yielded a small revenue were declared free. Among imports upwards of 40 articles were removed from the column of charge, leaving only 97 articles, further reduced to 65 classes of articles, upon which duty is leviable. Among exports, duties were abolished on 88 articles, retaining only 5 classes of articles on the dutiable export list. As a compensation for

RESOURCES. this sacrifice of revenue, and in consideration of the greatly increased exports of grain, and of the rise in its price since the last augmentation of duty from ½ anna to 2 annas per maund (of 82lbs), the duty was further raised to 3 annas a maund without any injurious effect on the trade. On the other hand, the export duty on saltpetre, which had been raised to Rs. 2 a maund in 1860-61, was reduced, in the first instance, to one rupee a maund, and then to 3 per cent. *ad-valorem*, and was afterwards repealed. Timber and wood have also been exempted from export duty.

With regard to tariff valuations, it had been found necessary, in 1863-64, to revise the fixed tariff values for one class of imported cotton goods, which constituted five-eighths of the total imports of such goods, and which, at those fixed tariff values, paid considerably less duty than the remaining three-eighths, which paid duty *ad-valorem*. The tariff valuation was accordingly assimilated in 1863-64 with the high market value of the day, after allowing for a probable fall. In 1867-68 this tariff valuation of cotton goods was greatly reduced, and the tariff valuations of all other dutiable articles were revised at the same time.

The ports of Native States on the coasts of the Madras and Bombay Presidencies have been placed on the footing of British Indian ports, in respect of imports from and exports to them at ports in British India.

POST OFFICE.—The postal rate on letters in India has not been altered. That on letters to and from Europe has been increased by three pence per half ounce on account of the revision of the contract with the Peninsular and Oriental Company, and the attendant additional payment for a weekly mail service. Consolidated rates of postage, securing the transit of a letter over the entire route to its destination, have been arranged with France, Belgium, and Italy, also with the United States, for correspondence by the line of packets recently established between San Francisco, Yokohama, and Hong-Kong. A similar arrangement has been concluded with the Government of the Straits Settlement since its transfer to the control of the Colonial department of the British Government.

Postage on Europe letters.

The half anna as Indian postage corresponds in principle, if not in exact amount, with the penny in English postage. The weight $\frac{1}{2}$ tola (or $\frac{3}{16}$ oz. troy) allowed to be carried for this sum is supposed to be too small, and, among other inconveniences, to induce the Natives to use unduly thin paper. It is proposed to raise this amount to a full tola; the fiscal loss will not be great, and the change is justified by the growing increase of the postal revenue.

Official correspondence is now charged with postage, which is credited to the Post Office revenue on the same footing as the postage paid by the public.

Postage on official correspondence.

CHAPTER VII.

SPECIAL TAXATION.

RESOURCES.

License and Certificate Taxes.

The Income Tax, which had been imposed for five years from 31st July 1860, at a gross rate of 4 per cent., but had been reduced to 3 per cent. in 1863-64, was allowed to expire on 31st July 1865, and with it ceased a net revenue of one million sterling. Two years later, or in 1867-68, the Government was compelled, by the growth of expenditure, to impose a rough Income Tax, in the form of a License Tax, for an estimated yield of half a million sterling of net revenue, but which produced £700,000. In 1868-69, this tax was modified into a Certificate Tax, which, it is estimated, will, from its lighter incidence, yield less, or half a million sterling. Under the Certificate Tax the mean incidence, instead of being 2 per cent. as under the License Tax, is not much more than 1½ per cent., nor does it reach yearly incomes below Rs. 500, while the License Tax embraced incomes of Rs. 200 a year. The last named change in the incidence of the tax caused no less than 450,000 tax-payers of the poorer classes to be exempted out of a total of 600,000 tax-payers.

Pandhari Tax in the Central Provinces.

The Pandhari Tax, an old impost in Nagpore territory, while under Mahratta rule, has been made general in the Central Provinces. The tax

embraces incomes and classes which are not reached by the License or Certificate Tax, and it is recovered from those who pay the latter; one-half of its proceeds has been made over to the local funds of those provinces.

Succession duty and tobacco tax.

Among special taxes which, not for the first time, were urged on the attention of Government in 1867-68, were a succession duty, and a tax on the cultivation of tobacco. These had been considered on previous occasions, and the grounds on which they were recommended having been carefully reviewed, the Government of India and the Secretary of State for India agreed that the levy of either of them as an imperial tax was not expedient.

CHAPTER VIII.

LOCAL FUNDS AND LOCAL TAXATION.

RESOURCES.

Cesses on land revenue.

Under this head the main items are the cesses fixed at a small percentage upon land revenue for roads and education, and in the North-West Provinces for police. These have been increased or introduced in the revised Settlements in the Central Provinces, the North-Western Provinces, and Oude, and are being levied as new cesses in the Bombay Presidency. Corresponding cesses have been created in British Burmah for education and police. The Government of Bengal has been informed that a similar cess for education and roads ought to be raised in the Lower Provinces in order to place them on an equality in this respect with other parts of British India. In the beginning of the period under review, tolls on bridges-of-boats and on imperial roads were made over to Local Governments. In the Madras Presidency voluntary cesses for education, which partake of the character of municipal taxes, are being raised under a permissive Act of the local legislature.

One per cent. Income tax fund.

When Mr. Wilson introduced the income tax, one-fourth of its proceeds was allotted for expenditure on public works in the Presidency or Province in which it might be raised. The entire sum so appropriable, under this arrangement, amounted to £1,600,000 for the five years that the tax was in

operation. Of this sum one and a quarter million was made over to the Local Governments and Administrations before the period under review, and the remainder has been paid during that period.

RESOURCES.

The convict labor fund has for years added largely to the local funds for public works in the Lower Provinces of Bengal. The introduction of intramural labor, during the period under review, into most of the jails in the Madras and Bombay Presidencies, has admitted of the formation of similar funds in those Presidencies, and the retention of the profits of jail manufactures on the footing of a local fund has been recognised as the rule in British India.

Convict labor fund in Madras and Bombay.

The revenue, under Bombay Act VIII of 1865, from canal clearances in Sinde, and that from fisheries in tanks, streams, and rivers, in the Madras and Bombay Presidencies, have been transferred to the local funds of those Presidencies.

Transfer to local funds of revenue from canal clearances and fisheries.

Relief from charge of upwards of a quarter of a million sterling due to the State for certain past expenditure has also been afforded to the local port funds of Kurrachee and Calcutta. It was found necessary to make this concession in order that the necessary improvements in these ports might not be impeded by the existence of debts to Government which the local funds were really not able to discharge. These debts have been accordingly wiped out on the condition that a clear understanding, in respect to the future finances of the ports shall be come to.

Port funds.

CHAPTER IX.

LOANS.

RESOURCES.

The public debt of India amounted to 88 millions sterling at the beginning of the period under review, and to 93 millions in the beginning of the present official year.

Loans in England and in India.

The ways and means of the several years have been supplemented by loans to the following extent during the period under review, *viz.* :—

In 1865-66, £8,54,100 (net), obtained in England by the sale of India 5 per cent. stock.

In 1866-67—

In England:

£	
563,662	by sale of stock.
1,168,239	by issue of debentures and bonds.
1,000,000	borrowed on security of bonds, of which sum £500,000 will be re-paid in 1868-69.
2,731,901	
90,000	paid off.
2,641,901	net.

In India:

£600,000, borrowed on debentures.

In 1867-68—

In England:

£1,164,407 by sale of stock.

In India:

£1,479,800 borrowed on debentures.

Debenture Loans.

It will be shown further on how these loans are compatible with a healthy state of the finances. Here it will suffice to notice the success of the Debenture Loans of 1866-67 and 1867-68. The Debentures for 60 lakhs in 1866-67 were made repayable in three unequal instalments, one, two, and three years after date. But the Secretary of State for India having urged the inexpediency of issuing Debentures repayable at such short dates, the subsequent Debentures of 1867-68 were made repayable in fifteen, ten, and five years after date. On both occasions the money was obtained at a little less than 5 per cent. per annum.

During 1867-68 and 1868-69 temporary accommodation loans aggregating £1,230,000 were obtained from the Bank of Bengal to assist the Government of India in advancing the moneys urgently required for the Expedition to Abyssinia. Of the above about half has been repaid and the remainder will shortly be adjusted.

PART III.

ADMINISTRATIVE MEASURES CONNECTED WITH FINANCE.

ADMINISTRATIVE MEASURES.

Subjects treated of in Part III.

In this part will be considered: Currency including Paper, Metallic, Mint; Banks, Money Order Department, Savings' Banks, Treasuries, and Cash Balances; Statistics; Furlough and Leave Rules; systems of Account and constitution of the Financial department.

CHAPTER X

CURRENCY.

Circulation of Currency Notes; sub-circles of Paper Currency.

In the period under review the Currency Note circulation has risen in all India from five millions to ten and a half millions sterling, nearly one-half of the increase being in the Bombay Circle. All the existing sub-circles of Paper Currency were established within the same period; and under the orders of the Secretary of State for India, the agency of the Presidency Banks for promoting the circulation of Currency Notes was discontinued in Bengal on 1st January 1866, and in Madras and Bombay on 1st March 1867, an exchange department for the retail work of cashing and issuing Notes being established at the same time in the three Presidency towns. By the discontinuance of the commission

ADMINISTRATIVE MEASURES.

of $\frac{3}{4}$ per cent. on the circulation, to the Presidency Banks, a large saving has been effected in the accounts of the Currency department.

Within the Currency department the convertibility of the Note has been absolutely maintained.

The Notes of sub-circles being cashed at the head office at the Presidency Town, the large accumulations of these cashed Notes are generally cancelled by a transfer of the equivalent in coin from the General Treasury to the head office, and from the sub-office of issue to the local treasury. In order that the currency reserve may be preserved intact from the financial exigencies of the Government, it has been ruled that a transfer of coin from the Currency department to the Government Treasury, though for an equivalent paid at another station to the Currency department, shall not be made without the order of the Head Commissioner.

The convertibility of the notes outside the Currency department has not been disregarded. They had always been receivable as legal tender at Government treasuries of the circle in satisfaction of Government demands. In the period under review, treasury officers have been further empowered to cash freely the notes of the circle in which these treasuries are situated, except when the demand upon them may be such as cannot be met without serious inconvenience. The notes of other currency circles have also been made cashable at all Government treasuries for the convenience of travellers.

ADMINISTRATIVE MEASURES.

Confidence in the notes has been further promoted by liberal rules, founded on those of the Bank of England, for the payment, under certain conditions, of the value of lost notes, and by the introduction of a new form of Note in which its value is expressed in the principal vernacular characters of the circle.

Appointment of Commission to report on Currency.

In February 1866 a mixed commission of Government officers, including members of the Executive Council of the Governor General, and experienced merchants and bankers, was appointed to report on the subject of the Government Paper Currency, and in connexion therewith on the subject of gold currency. Some of their recommendations were partly followed, partly anticipated, by one or other of the measures above described. Their further suggestions respecting the augmentation of the number of circles are under consideration, having been referred to the local Governments for opinion. A new suggestion of a local note for each zillah or district throughout India, is similarly under consideration.

Import and coinage of silver; copper currency; British Currency into Cooch Behar and Bundelcund.

The silver currency, which is legal tender, is dependent, as to the amount of annual coinage, on the imports of bullion, which vary with the state of the foreign trade. Of late the imports and the coinage have declined. The copper currency appears to be redundant, judging from the large accumulations of pice in the Government Treasuries, but the subject is receiving careful consideration. British currency has been introduced into Cooch

ADMINISTRATIVE MEASURES.

Behar, and is being gradually introduced into the States of Bundelcund, in supersession of the native coinage.

Gold Currency.

The expediency of a gold currency was considered in 1864, when, as an experimental measure, it was ordered that the sovereign might be received in Government treasuries at the value of Rs. 10, by a notification dated the 23rd November 1864. At first a certain quantity, amounting to about £100,000 of sovereigns, were received at the treasury; a portion of that amount was taken up by the public; and a portion was remitted back to England, that operation being found profitable in the existing state of the exchanges. After a time, however, the presentation of sovereigns at the treasury altogether ceased. And it became apparent that the rate of ten rupees was below the intrinsic and market value of the sovereign. In accordance with the recommendation of the Currency Commission above mentioned, it has been decided to offer ten rupees four annas for the sovereign, that rate being as near as possible in accord with the actual value of the coin and also with the standard fixed by the Act XVII of 1835 for the coinage of gold pieces in India which law is still in force.

At the same time it has been determined to resume the receiving of Indian gold pieces at the treasuries. This practice existed up to 1852 when it was suspended in reference to apprehension of excessive influx of gold from Australia. Mean-

ADMINISTRATIVE MEASURES.

while the coinage of these pieces at the Mint has gone on to a large extent under the provisions of the Act of 1835, the coins being still much in demand with the people. It has now been notified that they may be received at the treasuries under the terms of the Act.

CHAPTER XI.

BANKS AND TREASURIES.

ADMINISTRATIVE MEASURES

Agreements with Presidency Banks.

BANKS.—The first topic under this head is the revision of the agreements with the Presidency Banks which manage the business of the General Treasury. As already observed, the agency for the circulation and encashment of Currency Notes has been withdrawn from them, and the management of the Public Debt on remunerative terms has been transferred to them. In addition, it has been arranged that on the transfer of the Government Treasury at a station in the interior to a branch Bank, the Bank shall be allowed the use of the Government balances, on the condition of its meeting all Government demands on the treasury. By an increase of the capital of the Banks the arrangement has been made mutually beneficial, for, while the Bank profits by the use without interest of the Government balances in interior treasuries which are managed by its branches, and of the balance in the General Treasury up to a certain maximum, the Government is able to obtain temporary accommodation from the Bank in times of pressure for which otherwise it must enter the market. Considerable help has been derived in this manner from the Bank of Bengal, from which special and temporary accommodation loans were taken up for the service of the Abyssinian Expedition to the sum of a million

and a quarter sterling; besides additional sums on more recent occasions for other services. Also large remittances between provinces have been effected on advantageous terms through the Bank's agency.

ADMINISTRATIVE MEASURES.

In Bombay, the old Bank of Bombay, after having increased its capital, was obliged to go into liquidation, losing nearly its entire capital, but discharging all liabilities. The causes of this misfortune are being investigated by a commission of inquiry which has special powers. A new Bank has been established in which the Government holds shares.

Liquidation of old Bank of Bombay and establishment of a new Bank.

MONEY ORDER SYSTEM.—The money order system, which had been established experimentally in the Lower Provinces of Bengal in 1862, was extended throughout India in 1866. The maximum limit of a money order was raised from Rs. 100, £10, to Rs. 150, £15, in 1867, and permission to money order offices to draw upon each other, without distinction of presidencies, was accorded in 1868. The transactions of the department already have an aggregate amount of nearly one million sterling per annum. The improvement of the agency is under consideration, together with other points relating to the extension and consolidation of the system throughout India.

Extension of Money Order system.

SAVINGS BANKS.—The Government Savings Banks in the three Presidency towns have made satisfactory progress; but with a view to a much larger extension of the system in the interior of the three Presidencies, the local Governments

Progress of Government Savings Banks.

ADMINISTRATIVE MEASURES.

and Administrations have been consulted on the best means of forming and popularising District Savings Banks in the interior of the country throughout India as branches of the Central Savings Bank.

Periodical inspection of Treasury Accounts.

TREASURIES.—The cash balances in treasuries have always been properly verified; but before the period under review, the state of the books and accounts and the procedure in the account department of treasuries were not scrutinised. They are now periodically inspected in every Presidency and Province by the Accountant General or Deputy Accountant General.

Transfer of cash balances to branch Banks of the several Presidencies.

The business, and the use of the cash balances, of the treasuries noted on the margin have been made over in the past five years to branches of the Banks of the respective Presidencies which are connected with Government.

Dacca.	Agra.	Umritsur.
Patna.	Cawnpore.	
Rajshahye (Rampore Beauleah).	Lucknow.	Rangoon. Akyab. Moulmein.
Mozufferpore (Tirhoot).	Nagpore. Jubbulpore.	Bangalore. Ootacamund.
Mirzapore.		
Benares.	Delhi.	
Allahabad.	Lahore.	Hyderabad.

Reduction in cash balances in India and in England.

CASH BALANCES.—At the beginning of the present official year the cash balances in British India and in the Home Treasury had been reduced below the amount at the close of 1863-64 by a little more than two millions sterling, of which one million and a half out of a cash balance of four and a half millions was reduced in the Home Treasury. The reduction in British India has fallen upon the General Treasuries and the Mints at the three Presidency Towns. The revised agreement with the

ADMINISTRATIVE MEASURES.

Bank of Bengal has prevented any serious inconvenience from the large reduction of the cash balances in the General Treasuries, while the balances in the mofussil treasuries have been maintained at the usual amounts. These latter cash balances contain, 1*stly*, the reserve, about four millions sterling, for supplementing the deficits in the three months from 31st July to 31st October, in which the receipts of the treasuries fall short of their payments; 2*ndly*, the further reserve for unforeseen emergencies. The experience of the past two years has shown, however, that for this second purpose of the reserve the mofussil cash balances are in a great measure ineffective, their existence to an amount exceeding four or five millions not having prevented the advance of nearly a million sterling at Bombay by the Bank of Bengal for the service of the Abyssinian Expedition in 1867-68. It has been determined to strengthen the General Treasury balance at Calcutta by reducing the mofussil balances as far as possible, the facilities for remittance which are afforded by the Railway, the paper currency, and the numerous branches of the Presidency Banks, making Calcutta the proper centre for the greater part of the reserve of cash balance which is maintained for unforeseen emergencies.

Advances of the Abyssinian Expedition.

The advances above mentioned for the Abyssinian Expedition began in the second half of 1867-68, and the charges so advanced, repayable by the British Government, have amounted to upwards

ADMINISTRATIVE MEASURES.

of six millions sterling. As these heavy payments are being reimbursed gradually to the Indian Treasuries, the consequent strain upon the Indian cash balances has been considerable, and in the autumn of the current year, they fell very low, though not lower than in 1866. It is estimated that by the end of the year, six millions sterling will have been repaid by the British Government.

Payments of Prize money

During the period under review, Prize money to the amount of one and a half million sterling has been disbursed from the Home and Indian Treasuries.

The aggregate of the cash balances in India at the close of each official year of the period under review may be stated as below:—

	Including Berars and the Eastern Settlements up to 1865-66.	Excluding Berars and the Eastern Settlements.
	£	£
1863-64	12,632,012	12,182,181
1864-65	12,638,897	12,205,835
1865-66	13,771,625	13,177,280
1866-67	... ...	11,057,054
1867-68	... ...	12,179,233
1868-69 (Revised Budget Estimate) ...	... ...	12,091,233

CHAPTER XII.

STATISTICS.

ADMINISTRATIVE MEASURES.

Publication of financial statistics.

A scheme of financial statistics, and of other statistics relating to trade and navigation, was devised before the period under review, but in the uncertainty respecting the changes in classification of receipt and charge incidental to the revision of the account system by the English Commissioners for inquiry into the system of Indian accounts, the arrangements for the publication of the statistics were not matured till the year 1866-67. A volume of financial statistics is in the press, which records the financial progress of British India from 1792-93 in the following detail:—

1st.—In totals for India and for each presidency and province, and for each principal head of revenue, from 1792-93.

2nd.—In totals for India and for each Presidency, of principal divisions of charge, from 1851-52.

3rd.—In detail of principal divisions, and of major and minor heads in each division, for British India and for each presidency and province, from 1861-62.

4th.—Miscellaneous statistics illustrating the greater or less progress of each

ADMINISTRATIVE MEASURES.

principal head of revenue, of public works and military charges, debt, cash balances, currency, &c.

Statistics of trade and navigation.

With regard to trade and navigation, the statistics published in India were confined to one presidency or province; the totals for British India of the trade with each country and in each article, and of the carrying trade, were not given. These are now published in the form of monthly returns, which give the figures for the month and the progressive totals for the expired months of the year. A volume also is in the press, which records the statistics of commercial progress of British India, 1*stly*, in totals for each presidency and province, and for India, from 1834-35; 2*ndly*, in detail of the more important principal articles and countries for each presidency and province from 1852-53; and 3*rdly*, in complete detail of articles and countries for 1866-67.

The separate annual record of the trade and navigation of each presidency and province which is published by the local Governments, has been assimilated in principle with that for the United Kingdom, which is published by the Board of Trade in London. The volume will give in one view for several years the total trade of each presidency and of its chief port respectively, and also a separate view of the trade of the several subordinate ports.

CHAPTER XIII.

FURLOUGH AND LEAVE RULES.

ADMINISTRATIVE MEASURES.

Revision of furlough and leave rules for all branches of the service

The rules for leave of absence or furlough have been revised for every branch of the service, civil, military, medical, and ecclesiastical, covenanted and uncovenanted. Those relating to the uncovenanted service are awaiting the approval of the Secretary of State for India; the others are in operation. They constitute, on the whole, one of the largest boons ever conceded to the Indian services.

The principal feature of the revision is the grant to the covenanted civil, military, medical, and ecclesiastical services of the same absentee pay in England as in India, with retention of office on the same conditions as during absence in India. As this will reduce the number of vacancies from forfeiture of appointments and increase the number of acting officers, the deputation allowances of these latter have been improved, but with such re-adjustments of the allowances of absentees as, on the whole, will probably not involve additional expense to the State, while the measure will, on the whole, add to the popularity of Indian service. For the uncovenanted service it has been proposed to attach different conditions to absence within and beyond India, but to allow Europeans and Natives alike the option of either scale of advantages.

CHAPTER XIV.

SYSTEM OF ACCOUNTS AND CONSTITUTION OF THE FINANCIAL DEPARTMENT.

ADMINISTRATIVE MEASURES.

Change in system of accounts.

The defects of the Indian system of accounts had long been known, but they remained uncorrected from lack of an authoritative exposition of the defects and their remedies by competent critics not wedded to any Indian system. This want was supplied by an enquiry into the Indian system by two officers of the English Treasury and War Office, Messrs. Foster and Whiffen. In dealing with the Public Works accounts they were associated in a commission with officers of the Public Works Department, and in the Military and Civil departments they conferred with the proper officers of account. In accordance with their recommendations, the system of account in all departments has been changed, so as to adapt it, in respect of promptitude, clearness, and accuracy, to the requirements of the systematic and methodical administration of finance which was established by Mr. Wilson.

Under the old system, the record of revenue and charge in the annual books of account differed widely from the actual income, and from the actual expenditure out of the ways and means of the year:—

1st.—The revenue received in a year was credited as a receipt not necessarily of

that year, but of any previous or future year to which the corresponding revenue demand might have appertained; and similarly the payments in a year were treated not necessarily as that year's expenditure, but as a charge of any past or future year to which the corresponding demand against Government appertained.

2nd.—The cost of stores was not charged necessarily in the year of purchase against the ways and means of that year, but was debited to a store account, and in lieu thereof the very different amount of value of stores expended in a year was charged against the year's income.

In consequence of this wide discrepancy between the record of revenue and charge respectively in the regular books of account and the actual receipts and payments of the year, these latter were detailed in a separate record of receipts and disbursements as the revenue and finance accounts prescribed by Parliament. But though they approximated to the real transactions of the year, they were defective in several respects from not being made up from balanced books of account. By separating stores from the cash accounts, and revenue accounts of demand and collections from the ordinary treasury accounts, by treating the receipts and payments

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of a year as the revenue and charge of that year, and by disencumbering the general books of account of minute statistical detail which had overlaid them and had interfered with their speedy compilation, the English Commissioners of Account removed the defects above mentioned, brought the record of revenue and charge in the regular books of account into accord with the actual receipts and payments of the year, substituted monthly accounts of audited receipts and charges for an annual account which contained partly unaudited charges, and ensured the completion of the revenue and finance accounts earlier than under the old system. These improvements were effected in 1864-65 and 1865-66 in the Revenue and Finance accounts.

Another defect under the old system was the disjointed character of the civil, military, and public works accounts, which interfered with the central control over military and public works charges and civil finance. The military accounts of the three presidencies were incorporated in the civil books of the three separate Governments of India, Madras, and Bombay, and the public works accounts of the several Governments and Administrations were incorporated in the civil books of the respective presidencies and provinces. Neither civil receipts and charges, nor military and public works charges, were ever brought together in Indian books into a combined account for India. Under the new system this has been remedied.

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Separation of Military and Public Works accounts from Civil.

The military and public works accounts have been separated from the local civil. Instead of closing into the local civil books as heretofore, they close into imperial books of military and public works accounts which are maintained under the Military and Public Works Departments of the Government of India, whose special control over the expenditure in those departments is thereby strengthened. And, finally, imperial books, embracing the civil, military, and public works transactions for India, have been established under the Comptroller General of Accounts, into which the several Civil Provincial Accounts, and the Imperial Military and Public Works Accounts, are closed, *i. e.*, in which the results of the civil receipts and charges of each presidency and province, and the consolidated imperial accounts of military and public works receipts and charges, are incorporated from month to month and for the year.

By this concentration of the accounts of presidencies and provinces in the books of the Comptroller General of Accounts, the "unadjusted amount between presidency and presidency" in the financial accounts has been largely reduced. This term means the net difference between the credits afforded by each presidency or province for the debits made or to be made against it by all other provinces.

An expedient for holding in suspense payments which ought to be brought against the income of the year is the head of advances recoverable. Over these advances the Accountant General or his

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Deputy is required to exercise a personal and vigilant supervision, and annually they are reviewed with the object of keeping down the amount under this head, and of seeing that no charges are retained under it which should have been charged against the income of the year.

Interchange of half-yearly account current with India Office.

Under the old system there was a want of correspondence between the accounts in India and the Home accounts. Items were debited in India to account current with London, but the mode of their disposal in England was not known. This has been remedied by the interchange with the India Office of a revised form of half-yearly account current, in the subsidiary vouchers of which requisite details of adjustments are given.

Abolition of pre-audit.

Formerly the salary bills of all officers and the pay bills of establishments, even at remote stations in the interior, were audited *before* payment. This system known as "pre-audit" caused some inconvenience and delay; and in some cases it threw forward the charges for one month into the following month. The new system of accounts did away with pre-audit, by throwing responsibility on heads of departments and others for the correct preparation of bills, and by empowering Treasury Officers to pay bills according to the sanctioned scale, with which they are kept fully acquainted by the local Accountants General. All these disbursements are subsequently subjected to the regular audit, and are passed according thereto. In the three Presidency towns, however, pre-audit is main-

tained, but with an improved procedure whereby the audit and payment are simultaneous.

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Improved control in the various departments.

Measures have also been adopted for strengthening the control of principal departments over their own financial affairs. Thus, in the Revenue or *quasi* Revenue Departments, and in the Public Works and Railway Departments, the following arrangements have been carried out:—

1st.—In the Lower Provinces of Bengal, the same control over the revenue accounts as is exercised in other parts of India by the principal revenue authority has been transferred from the Accountant General, Bengal, to the Board of Revenue.

2nd.—In the Post Office Department, a check has been established in the Office of the Compiler of postal accounts, under the Director General of the Post Office, over the collection of postage on letters and parcels sent bearing, by comparing the collections of each Post Office with the value of the bearing covers which may have been sent to it for collection.

3rd.—In the Electric telegraph department a similar check was established over the receipts for messages; but more recently the payment of messages by telegraph stamps has been adopted, and, when this shall be made compulsory,

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the special check above-mentioned will cease. The expenditure of the department is also examined and accounted for more systematically and efficiently than before by a Compiler of Telegraph Accounts.

4th.—In the Marine Department the accounts of the Bengal Marine and of those of the Government of India were scattered among three or four departments. They have been concentrated during the past five years in the Office of the Accountant General, Bengal, with a considerable gain in efficiency.

5th.—Provision has been made for the independent verification of the bullion balance and stock in the mints, for the audit of the accounts of the Currency department, the integrity of the Currency note registers, the careful entry therein of all cancellations of Notes, and the actual cancellation of the Notes jointly by the Account and Currency departments.

6th.—A system of Forest accounts has been established which relieves the Forest officers of compiled accounts, and ensures a uniform classification of the expenditure and its departmental scrutiny before it is finally passed by the Accountant General.

7th.—In the Public Works Department all expenditure chargeable to the public works allotment which is incurred by civil officers has been brought under the audit of that department, and to prevent civil officers from overstepping budget limits in anticipation of audit, it has been arranged that funds for their expenditure must be obtained from the Public Works Department.

8th.—In the railways in India, the final account for the declaration of half-yearly profits used to be made in England, though the means for an efficient Government audit exist only in India. The provision in the Railway Contracts that the gross earnings should be paid into the Government treasury specified in the contract was also more or less disregarded, and working expenses were often disbursed from funds advanced on capital account. All this has been remedied. As the first fruits of the reform, a sum of £937,000 which had been retained in private Banks in the Bombay Presidency by a railway Board, in disregard of its contract, was paid into the Government treasury. Annual budget estimates of the capital and revenue expenditure of Railways in India

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are now submitted, and funds are advanced upon monthly estimates which are checked by Consulting Engineers. Then there is a prompt and searching audit of the receipts and expenditure on both capital and revenue accounts by Government auditors; and on their audit the half-yearly profits are declared in this country. A liberal concession has at the same time been given to the railway companies in the form of interest upon their revenue balances in the Indian treasuries, whereby the Government virtually makes good to the Companies some part of the gain by exchange which it derives from the receipt of their earnings into its treasury at 1*s.* 10*d.* per Rupee.

9th.—The receipt and expenditure of local funds have been brought under better control. Annual budget estimates of these are now submitted to the Local Governments, and the results are reviewed by the Government of India.

Minor improvements.

Among minor measures which have had a beneficial effect in simplifying accounts or improving the check over them may be mentioned—

1st.—The conversion of the sicca loan into a new four per cent. loan, the consolidation of some of the old loans, and

the conversion of Government Securities into a Book Debt at the option of the holders. ADMINISTRATIVE MEASURES.

2nd.—The removal from the deposit registers of the revenue, judicial, and military departments, by a credit to revenue, of all unclaimed deposits more than three years old, or (in the High Court) more than ten years old.

3rd.—The removal of old balances from the books of the Comptroller General of Accounts after a careful investigation of their origin and actual state.

4th.—The substitution of English for Vernacular, to a great extent, in the treasury accounts as distinguished from the revenue accounts of Collectorates.

5th.—The commutation of small political pensions in Oude and the Central Provinces, besides the commutations of other small pensions under ordinary rules.

Among changes which will affect the comparison of the financial accounts of past and future years may be mentioned— Changes affecting comparison of accounts.

1st.—The change in the official year of account, which ends now on 31st March, instead of as formerly, on 30th April. This alteration was made mainly with a view to the earlier transmission of the annual accounts and estimates to

SECRETARIAT LIBRARY.

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England for submission to Parliament, and it was effected by confining the transactions of 1866-67 to the eleven months ended 31st March 1867.

2nd.—The transfer of the Straits Settlements, and of the receipts and charges of the Settlement, to the control of the Colonial Department of the British Government from 1st April 1867.

3rd.—The separation from the same date of the revenues, charges, accounts, and cash balances of the Berars (Nizam's dominion) from those of British India.

4th.—The transfer to Government of the assets and liabilities of the Military Funds of the three Presidencies and the Bengal Military Orphan Society and the Bengal Medical Retiring Fund. Thereby large payments of interest to these Funds have ceased, and in lieu thereof the actual receipts and charges of the Funds are incorporated in the revenue and finance accounts.

Payment of surplus of Berar revenue to the Nizam.

By a treaty which was concluded with His Highness the Nizam in December 1860, the Government of India was absolved from any obligation to render accounts to His Highness for the receipts and charges of the Berars, while still remaining bound to make over any surplus. It was ordered in 1866-67 that the accounts of the territories should be kept separate. In 1867 a sum of 5 lakhs was

made over to the Nizam in part payment of the surplus; in 1868 it was ascertained that up to 31st March 1867 a surplus of about 25 lakhs or £250,000 had accrued and been credited to the general revenues in the years from 1861-62. Of this sum, the balance of about 20 lakhs (£200,000) remaining unpaid in 1867-68 was refunded from the general revenues in the present year, *viz.*, 10 lakhs by a payment to His Highness, and the remaining 10 lakhs by payment to the Berars.

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Furthermore, to keep the Resident at Hyderabad fully informed of every detail affecting the expenditure chargeable on the Berar revenue, the audit of the accounts of the Hyderabad Contingent, previously conducted in Calcutta, was transferred to the Military Secretary of the Resident and the Deputy Accountant General of the Berars, the Military, Public Works, and Civil charges being concentrated in the books of the latter officer.

Audit of accounts of Hyderabad Contingent.

A change affecting the view of the annual financial position of British India remains to be mentioned. In 1855 the Government of that day determined to show the financial results of each year's transactions, first, by exhibiting the surplus, exclusive of Public Works charges extraordinary, and then by exhibiting the surplus or deficit after debiting those charges. Under that plan, however, all outlay for new works of whatever kind was shown as extraordinary charge, although additions and improvements to existing buildings and the construction of new buildings must be fairly regarded

Loan for reproductive irrigation works.

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as a permanent current expenditure of the Government. On this ground Mr. Wilson did away with the distinction between ordinary and extraordinary expenditure on Public Works, and charged the whole of it against income. But subsequently the outlay on irrigation and other works greatly expanded. It was accordingly proposed to the Secretary of State that the funds for all reproductive works and for certain special works should be raised by loan. The Secretary of State has agreed to the principle of borrowing for new reproductive irrigation works when they cannot be provided from the income of the year, and to the exhibition of the charge for such new works as Public Works extraordinary charges; but no other class of Public Works expenditure except that for new works constructed from special funds, like those in Bombay, is to be regarded as extraordinary.

Supersession of office of Civil Paymaster by that of Deputy Accountant General.

Consequent on the new system of account and audit which was introduced in the civil department on the recommendation of Messrs. Foster and Whiffen, the office of Civil Paymaster, as one separate from that of the Accountant General, became unnecessary; but from want of a Deputy the latter functionary had been precluded from inspecting the treasuries under his control. A Deputy Accountant General was accordingly allowed in every Presidency and Province where there had been a Civil Paymaster, and an Accountant General was provided for British Burmah. The change has worked beneficially both in the internal arrangements of

the Accountant General's office and in the inspection of treasuries which has been mentioned in a former paragraph. The offices of Civil Account also are inspected by an Inspector, who is attached to the Department of the Comptroller General of Accounts. ADMINISTRATIVE MEASURES.

In 1862-63, the staff of the Civil Account Department was re-organized as a separate department of the service in India. It was thrown open to all eligible candidates, who were to enter in the lowest grade, and who might rise according to their service and qualifications to the highest grade. In the first grade, the salary was fixed at Rs. 1,500 rising to Rs. 2,000 per mensem; in the second, at Rs. 1,000 rising to Rs. 1,500; in the third, at Rs. 800 rising to Rs. 1,000; in the fourth, at Rs. 600 rising to Rs. 800; in the fifth, at Rs. 400 rising to Rs. 600 a month; the maximum being attained in five years in the 1st class, in seven years in the 2nd class, and in four years in the other three classes. In addition Mr. Laing provided a class of probationers. This organization has not been altered, beyond permitting the extinction of the class of probationers; for, with the salaries above-mentioned, and with the care which is being exercised in the nominations to the department, there will be no difficulty in maintaining on its strength a body of educated gentlemen, especially trained and qualified for the duties of the department. Recruiting for higher grade of the Account Department.

This chapter may be concluded by mention of the special office for the settlement of the accounts of Settlement of the accounts of the Abyssinian Expedition.

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Mr. Turner arrived in 1867-68.

the expedition to Abyssinia. This office was organized early in 1868. It has been in full work under a gentleman specially deputed from England, since the return of the forces to Bombay in July of this year. By December upwards of five millions of expenditure on the expedition were classified, adjusted, and passed.

PART IV

GENERAL REVIEW OF INCOME AND EXPENDITURE.

CHAPTER XV.

ITEMS OF INCOME.

INCOME AND EXPENDITURE.

In the following notice of the items of Income and Expenditure, the figures for the Berars and the Straits Settlements, which occur in the accounts for 1863-64, but not in those for 1868-69, will be thrown out. The sums to be stated for 1863-64 will not correspond therefore with the totals given in the revenue and finance accounts for that year.

The items to be reviewed will be taken in the order of the Budget headings.

Land Revenue.

The LAND REVENUE in 1863-64 amounted to £19,940,000, in 1868-69 it amounts to £20,424,000, showing an increase of nearly half a million.

Tributes and contributions.

TRIBUTES AND CONTRIBUTIONS FROM NATIVE STATES have fallen off by £29,000

1863-64 ...	£715,990
1868-69 ...	£687,000

This decrease is nominal, it arising from the capitalisation of Maharajah Holkar's tri-

INCOME AND EXPENDITURE.

bute, and from fluctuations in the collections which one year are in greater arrear than in another year.

The FOREST REVENUE has risen from £303,000 in 1863-64 to £399,000 in 1868-69.

Forest Revenue.

Excise Duty.

*1863-64 ..	£1,890,291
1868-69...	£2,291,400

ABKAREE or EXCISE on drugs and spirits shows an increase of £400,000.

Assessed taxes.

ASSESSED TAXES are one-half of the amount in 1863-64, owing to the repeal of the Income Tax, and the levy, after an interval, of a lighter and less searching Certificate Tax.

Customs Revenue

The CUSTOMS REVENUE stood at £2,384,000 in 1863-64; it stands at £2,692,000 in 1868-69, showing an increase of £300,000 notwithstanding a general reduction of import duties, and the special relief given in respect to some articles.

Salt Revenue and Stamps Duty.

	1863-64.	1868-69.
	£	£
Salt ...	5,032,535 ...	5,927,900
Stamps	1,693,916 ...	2,377,800
	6,726,451	8,305,700

The SALT REVENUE has improved by nearly one million sterling, and STAMPS by two-thirds of a million.

Opium Revenue.

The OPIUM REVENUE has risen from $6\frac{4}{5}$ millions gross in 1863-64 to $8\frac{4}{5}$ millions in 1868-69, *i. e.*, by two millions sterling; or from a net revenue of $4\frac{1}{2}$ millions in 1863-64 to 7 millions in 1868-69, being an increase of $2\frac{1}{2}$ millions sterling.

Mint receipts.

The MINT RECEIPTS were £370,000 in 1863-64, but in 1868-69 they are only £221,000, owing to diminished imports of treasure and a plethora of copper coin.

Post Office Revenue.

The POST OFFICE REVENUE has risen from £460,000 in 1863-64 to £636,000 in 1868-69; a part of this

increase arises from the credit of service postage to the postal revenue under Act XIV of 1866; but still there is a portion due from real increase of private correspondence.

INCOME AND EXPENDITURE.

The increase of TELEGRAPH receipts from £92,000 in 1863-64 to £252,000 in 1868-69 is due chiefly to the inclusion of the receipts of the Indo-European Telegraph in the accounts, since 1863-64.

Telegraph receipts.

The receipts under LAW AND JUSTICE have risen from £442,000 in 1863-64 to £1,032,000 in 1868-69 and under POLICE from £165,000 to £274,000. Of these increases, a portion consisting of the surplus of *tulubana* (summonses) funds, is casual: the remaining increases are for the most part nominal, being set off by nearly corresponding amounts of Judicial and new Police charge.

Receipts under Law and Justice and Police.

In 1863-64 the receipts under MARINE (£302,663) were increased by the sale of vessels and stores in Calcutta and Bombay: in 1868-69 they amount to £292,000.

Marine receipt in 1863-64.

The receipts under EDUCATION were £47,000, they are now £75,000, these largely arise from increase of schooling fees.

Receipts under Education.

The INTEREST RECEIPTS amounted in 1863-64 to £72,000, but by the increase of the Government's shares in the Presidency Banks, and of the investments of the Currency reserve, they have risen to £226,000.

Interest Receipts.

The CIVIL MISCELLANEOUS RECEIPTS have risen (nominally for the most part) by £200,000, and PUBLIC WORKS by £40,000; MILITARY RECEIPTS are less by £56,000.

Civil Miscellaneous.

INCOME AND EXPENDITURE.

Total revenue.

The TOTAL REVENUE in 1863-64 was £44 millions, in 1868-69 it is 49⅓ millions, showing an increase of 5 millions sterling.

Thus there has been an increase on the whole and also on every larger heading, the exceptions to the general increase being only on the lesser headings.

CHAPTER XVI.

ITEMS OF EXPENDITURE.

In this review also the order of the Budget headings will be followed. INCOME AND EXPENDITURE.

The INTEREST ON FUNDED AND UNFUNDED DEBT now slightly exceeds the charge in 1863-64, owing to the prosecution latterly of irrigation and special fund public works by means of loans. Interest on funded and unfunded debt.

1863-64 ... £2,691,084
1868-69 ... £2,783,200

The INTEREST ON SERVICE FUNDS amounted in 1863-64 to £399,797; in 1868-69 it is £553,740. The increase is owing to the progressive increase of the capital of the several Funds from accumulated subscriptions. Interest on Service Funds.

ALLOWANCES, REFUNDS, AND DRAWBACKS show the fluctuations to be expected in this essentially casual charge. The amount in 1868-69 is £87,000 less than that in 1863-64. Allowances, Refunds, and Drawbacks.

Under LAND REVENUE the expenditure was £1,770,000 in 1863-64; it is now £2,043,000; the increase has arisen from improved salaries of officers in the Non-Regulation Provinces, and of subordinate Judges and Executive officers in the three Land Revenue expenditure.

INCOME AND EXPENDITURE.

Presidencies,—increased pay of ministerial establishment, an increased strength of officers in the civil administration, and an increase of charge for settlements.

Forest expenditure.

The charge for FORESTS was £141,479 in 1863-64, it is now double, or £285,600. The increase is partly set off by improved revenue, but it is chiefly owing to the growing necessity for a strict conservancy of the forests in India.

Charges for Abkaree or Excise.

The charges for ABKAREE (EXCISE ON DRUGS AND SPIRITS), *viz.*, £220,638 in 1863-64, and £263,150 in the current year, have slightly risen from the improved system of sudder distilleries, while the portion of the increase which is affected by the cost price of opium, is set off by the recovery thereof in the gross proceeds of sale of Abkaree opium.

Assessed Taxes.

The cost of collecting ASSESSED TAXES has necessarily declined from £44,932 in 1863-64 to £21,000 in 1868-69.

Customs charges.

The charge for CUSTOMS has risen from £161,000 in 1863-64 to £186,000 in 1868-69, owing to increases of pay of sea-custom, preventive and wharf officers, and petty officials, and to increases of establishment.

Expenditure under Salt.

The expenditure under SALT has risen from £314,000 to £385,000 owing to large extensions of customs and preventive lines, and an improvement of pay of establishments.

Opium charges.

OPIUM charges have fallen from £2,300,000 in 1863-64 to £1,770,000 in 1868-69, from a reduction

of price to the cultivator, a decrease of production, and a reduction of establishment.

Stamps expenditure.

The expenditure for STAMPS has been stationary, notwithstanding an improvement of the revenue.

Mint charges.

In the MINTS, the charges have decreased by reason of the diminished requirements of coinage, and the completion since 1863-64 of the Copper Mint, Calcutta, whereby charges for its construction have disappeared from the accounts of later years. A part of the decrease is also nominal, from the transfer to the Home accounts of the charge for Europe stores.

1863-64 ... £162,182
1868-69 ... £106,530

Post Office charges.

In the POST OFFICE the charges have risen from £500,000 in 1863-64 to £588,000 in 1868-69, consequent on the increase of pay of all grades, and the improvement and extension of postal lines.

Telegraph charges.

The charges for the ELECTRIC TELEGRAPH were £322,000 in 1863-64,—they are now £465,500,—exclusive of the cost of Europe stores which, since 1865-66, has appeared in the Home accounts. Extensive constructions and renewals, increased establishments, improved pay, and charges of the Indo-European Telegraph, account for the increase.

Allowances to District and village officers.

The ALLOWANCES TO DISTRICT AND VILLAGE OFFICERS are affected by a revision of settlements; they amounted in 1863-64 to £401,000, and in 1868-69 to £397,000.

Charges for administration and Public Departments.

Under the head of ADMINISTRATION AND PUBLIC DEPARTMENTS the charge has risen from £1,018,000 in 1863-64 to £1,132,000 in 1868-69.

INCOME AND EXPENDITURE.

Charges under Law and Justice.

The increased expenditure for High Courts or Chief Courts, for improved salaries, jails, the settlement of Port Blair, and the Registration department, has raised the charges under LAW AND JUSTICE from £2,056,000 in 1863-64 to £2,691,000 in 1868-69. The entire expense for Registration, and part of the remaining increase, are set off, however, by improved receipts under Law and Justice, and there is a further compensation under Stamp revenue.

Police charges.

The gross charges for POLICE were £2,270,000 in 1863-64, they are now £2,470,000. A little more than one half of the increase is met by the improvement of Police receipts.

Marine expenditure.

The expenditure for MARINE, *viz.*, £563,000 in 1863-64, and £600,000 (exclusive of Europe stores,) in 1868-69 has been affected by the requirements of the river Indus, Assam, British Burmah, Port Blair, the Indo-European Telegraph, the maritime Police of the Red Sea and the Persian Gulf, and enlarged subsidies to Steam Companies for interportal communications in India and with the Persian Gulf. It is partly set off by increased recoveries from port funds and the British Government, &c., which are credited under receipts.

Charges for Education, Science, and Art.

The charge for EDUCATION, SCIENCE, AND ART, has increased from £435,000 in 1863-64 to £860,000 in 1868-69, chiefly from an enlarged outlay for Education, but in part also from an increase of expenditure for the trigonometrical and topographical surveys.

From an increase in the total number of the clergy, and of the proportion in the higher grades of Chaplains, the ECCLESIASTICAL charges have risen from £147,000 in 1863-64 to £163,000 in 1868-69.

Ecclesiastical charges.

From a general increase of pay for all ranks in the covenanted, uncovenanted, and subordinate medical establishment,—also from an increase of dispensaries and of expenditure for vaccination,—the charge for MEDICAL SERVICES, which was £230,000 in 1863-64, now amounts to £637,000.

Expenditure for medical services.

The expenditure for STATIONERY AND PRINTING amounted to £211,000 in 1863-64, inclusive of Europe stores; it now amounts to £229,000, exclusive of Europe stores, owing chiefly to the vast increase of work, and the greatly increased demands for publicity and general information,—for special information for heads of administration and departments,—and for departmental or professional instructions for the various officers and their establishments,—which are incidental to the more careful and exact administration that has been required of late years.

Expenditure for stationery and printing

The expenditure for POLITICAL AGENCIES AND FOREIGN SERVICES was set down at £217,000 in 1863-64. From causes mentioned in a former chapter it is now set down at £234,000.

Expenditure for Political Agencies, &c.

The charge for ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS was £1,880,000 in 1863-64; it is now £1,948,000.

Charge for allowances and assignments.

INCOME AND EXPENDITURE.

The expenditure under the head of MISCELLANEOUS amounted to £378,000; this year it is £284,000.

Reduction of Miscellaneous expenditure.

Superannuation and Retired allowances.

That for SUPERANNUATION AND RETIRED ALLOWANCES was £552,000, it is now £639,000; but a great part of this increase arises from the transfer to Government of the liabilities of the Military Funds in the three Presidencies and of the Bengal Military Orphan Society, and the Bengal Medical Retiring Fund. This part of the increase is set off by items under receipts.

Increased expenditure for Army.

The expenditure in India, for the ARMY was £12,443,968 in 1863-64, inclusive of expenditure for Europe stores at less than the usual rate; it is now £12,905,000 exclusive of Europe stores. The causes of increase of charge have been mentioned in a former chapter. Notwithstanding the reductions effected in strength, the increases in pay, allowances and the like have prevented any reduction in charge.

Increase of Public Works charges.

The expenditure for PUBLIC WORKS amounted to £5,306,272 in 1863-64: it amounts to £6,894,660 in 1868-69. The increased outlay is mainly for barracks, fortifications, irrigation works, special fund works, and a proportionally increased charge for establishments.

If the charge be divided into two heads, Military and Civil, then the increase will be found to have occurred under the former category (Military), while under the latter (Civil) there has been actually a decrease in the ordinary works of material improvements, roads, public buildings and the like. These

conclusions will appear more clearly from the subjoined table :—

	1863-64.	1868-69.
	£	£
Military	705,156	2,240,000
Civil	2,472,846	2,396,526
Irrigation Works	406,124	966,200
Special Fund Works	380,000	470,000
Establishment, Tools and Plant, State expenditure for Railways and guaranteed enterprise, and Loss by Exchange on Railway transactions	1,342,146	1,381,364
	5,306,272	7,454,090
Deduct—		
Amount retrenched from Public Works Estimate, in the Financial Statement...	.....	559,430
	5,306,272	6,894,660

Increased expenditure in India.

The total expenditure in India amounted to £37,562,340 in 1863-64; now it amounts to £41,547,780, showing an increase of four millions sterling, against an increase of five millions under revenue.

Increased expenditure in England.

The net expenditure in England, exclusive of stores, which at that time were charged in the Indian Accounts, amounted to £4,777,630 in 1863-64; it now amounts to £5,061,924, or (adding stores) to £6,392,400. A part of this increase is nominal, *viz.*, the expenditure for Malt Liquor, now paid for in England, but formerly disbursed in India as Military charge, and the expenditure for keeping up the Overland Transport Service, whereby the payments in India for the passage of officers and troops to and from England have for the most part ceased.

INCOME AND EXPENDITURE.

Diminution of guaranteed interest.

Guaranteed interest, less net traffic receipts of Railways, &c., amounted in 1863-64 to £1,669,000. In 1868-69 they amount to £1,203,000, showing a satisfactory diminution of charge, notwithstanding the constant expansion of our railway system. It might indeed at first be expected that the improved earnings of the two principal railways would be causing an even greater diminution of charge; but it must be borne in mind that there has been a large amount of additional capital which has been raised in the past two years under the guarantee.

The introduction of the regular budget system into the local funds department has been already mentioned. The result of the last budget under this head may be thus stated.

Year.	Income of the year.	Expenditure.
	£	£
1863-64	2,049,303	1,795,280
1868-69	3,932,590	3,092,695

The above statement is exclusive of the finance of the municipalities incorporated by special legislation such as those of the Presidency towns, of which the accounts are kept separately.

CHAPTER XVII.

AGGREGATE OF FINANCIAL RESULT.

INCOME AND EXPENDITURE.

Revenues and charges of India.

In 1865-66 the sums which, according to the books of account, were owing by Government on the several public loans, were brought into accord with the smaller amount outstanding on the loan registers. This was done by writing off the excess in the accounts under debt, as a payment, and crediting an equal amount as revenue of the year. Thereby the income of 1865-66 was credited with a nominal receipt of £1,028,089 net, which unduly augmented the surplus of the year. Omitting this sum, the revenues and charges of India, in England and in India, exclusive of the Berars and the Eastern Settlements, have amounted to the following sums in the undermentioned years, *viz.* :—

		1863-64.	1864-65.	1865-66.	1866-67 (eleven months).	1867-68	1868-69 Revised Estimate
		£	£	£	£	£	£
Gross Revenues	England ...	424,760	195,094	138,367	109,867	104,769	124,500
	India ...	43,993,785	44,979,670	46,285,454	41,255,742	48,434,360	49,351,050
	Total .	44,418,545	45,174,764	46,423,821	41,365,609	48,539,129	49,475,550
Gross Charges.	England ...	5,202,390	4,997,495	5,119,552	6,814,469	6,957,046	6,516,900
	India ...	37,562,340	38,881,222	39,592,540	36,481,177	41,599,725	41,547,780
	Guaranteed Interest...	1,669,283	1,591,797	67,043	731,049	*1,204,963	1,202,900
	Total ...	44,434,013	45,470,514	44,779,135	44,026,695	49,761,734	49,267,580
Ultimate Result	Surplus ...	...	...	1,644,686	...	...	207,970
	Deficit ...	15,468	295,750	...	2,661,086	1,222,605	...

* Regular Estimate.

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Deficit in 1864-65 attributable to casual charges.

The deficit in 1864-65 arose from exceptional circumstances. Thus the charge for guaranteed interest less net traffic receipts would have been considerably lessened, even to the extinction of the deficit, if one of the Railway Companies had not withheld payment of its traffic receipts into the Government Treasury. Casual non-recurring charges also fell against the income of 1864-65, and if these allowances be made the finances will be found to have been in a satisfactory state in that year.

Large surplus in 1865-66.

In 1865-66 the surplus of £1,644,686 was augmented unduly by the arrear payments of net traffic receipts of the Railway which had withheld its earnings in the previous year, and by large receipts from the sale of land in Bombay, but still there remained a surplus appertaining to the year after providing for all charges, inclusive of expenditure for Special Fund works, and for extraordinary Military works.

Large expenditure in 1866-67 and 1867-68.

In 1866-67 and 1867-68 there was a large expenditure, 1*st*, for the Special Fund works at Bombay, which, it is admitted, are properly chargeable against the receipts that may accrue hereafter from the sale of lands in Bombay, and are payable meanwhile from Loans or from the cash balance, not necessarily from current income; 2*ndly*, for the extensive scheme of new Military works, the annual outlay for which exceeded the amount in previous years by half to four-fifths of a million sterling; 3*rdly*, by casual and absolutely non-recurring charges for the con-

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struction of the new India Office, and of the Indian Troop Transports for the overland service. Setting merely these three items against the deficits of 1866-67 and 1867-68, the results are as follow :—

	1866-67.	1867-68.
	£	£
Deficit	2,661,086	1,222,605
Special Fund works, less receipts	449,177	346,827
India Office and new Troop Transports ...	695,452	363,574
	1,144,629	710,401
Excess of expenditure for Military works extraordinary over corresponding charge in 1862-63 and 1863-64	577,028	883,755
	1,721,657	1,594,156

Deficit in 1866-67.

This leaves £940,000 of deficit in 1866-67 to be still accounted for. It arose from the increased expenditure for famine relief, and the diminished revenue on account of drought, and from the Government having, in the prosperous year 1865, and when the price of opium had fallen very low, found it necessary to limit the number of chests of opium to be sold in 1866.

That the deficit in 1866-67 was thus exceptional and casual is apparent, further, from the improvement in 1867-68, notwithstanding the much larger expenditure in that year. More than one-half of

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the deficit in 1867-68 consists of the expenditure for Special Fund works, and for the new Troop Transports for the overland service; and of the residue (less than half the deficit) a considerable portion is made up of expenditure for stores, &c. in the Bombay Dockyard and Arsenal, on account of the Abyssinian Expedition, which was unavoidably charged against the revenues of 1867-68, though it will be recovered hereafter from the British Government. Again about £110,000 of proceeds of one per cent. Income Tax, received in previous years, was allotted in 1867-68, in final settlement of the amount, and was charged against the income of that year. Making the requisite allowance for this, the bulk of the extraordinary expenditure of £1,283,755* in all, for new military works, was provided, with all other charges from the income of 1867-68.

Or £883,755 in excess of the corresponding expenditure in 1863-64.

Surplus in 1868-69.

A like result, with even more satisfactory features, is presented in the revised estimate for 1868-69, which shows an income sufficient for the whole expenditure of the year, including £1,363,880 for extraordinary military works, and £1,270,000 for Special Fund and Irrigation works, which latter sum might have been legitimately provided for by a loan, had the income been insufficient. A considerable sum has indeed to be deducted from the gross income for the credits to revenue of certain old balances written off from under debt; but as these fall far short of the expenditure of £1,260,000

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on Irrigation and Special Fund works, the conclusion holds good, to the effect that the income, besides covering all other charges, has sufficed in 1867-68 and 1868-69 to meet the whole expenditure of £1,360,000 in the current year, and the greater part of the expenditure of £1,280,000 in the past year, for extraordinary military works.

Summing up the results of the five years it appears that, exclusive of the Berars and Eastern Settlements, there were deficits as follow, *viz.* :—

	£
1864-65	295,750
1866-67	2,661,086
1867-68	1,222,605
	4,179,441

and that a surplus accrued, or is expected, as follows :—

	£
1865-66	1,644,686
1868-69	207,970
	1,852,656

leaving a net deficit on the five years of £2,326,785 after charging the whole expenditure for special fund works, and new irrigation works, against the income of the five years.

But since 1866-67 the propriety of providing for these two items by loans, or from the cash balances,

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has been recognised, and for the three years from 1866-67 inclusive they have amounted to £2,429,885. Setting this against the net deficit, the receipts and charges are shown to have been in equilibrium. In reality, however, there was a considerable surplus, which has been applied in defraying heavy charges exceeding six millions sterling, of which, in strictness, not one-fifth was debitable to the income of the five years. Thus, the whole of an extraordinary and non-recurrent expenditure of one and a half million† sterling for the new Indian troop transports, and the new India office, has been paid from the income of the five years. Again £4,667,028 have been provided from that income for the large scheme of military barracks which, it is estimated, will cost 10 millions. In a parallel case in England, an expensive scheme of fortifications is being completed from funds provided by loan, so as to distribute the charge in convenient instalments over the income of many years. In this country, however, which has an immeasurably less margin for additional taxation for the expenses of war or other emergencies, it would not have been prudent to burden the income of future years with the

	£
Special fund works ...	1,256,004
New irrigation works ..	1,173,881
TOTAL ...	2,429,885

	£
† Construction of Indian troop transports ...	1,088,852
Expenditure for the site, and the building of the new India offices during 1864-65 to 1868-69 ...	440,600
TOTAL ...	1,529,452

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greater part of an expenditure which has been actually met from present ways and means. Still, in reviewing the finances of the past five years this fact must be allowed for, that the income for that period has been burdened with nearly one-half of estimated charge of ten millions for barracks which will last for more than one generation.

The expenses of the Bhootan war and of famine relief works not provided for in the ordinary Public Works allotment, but otherwise charged against the income of the five years, have exceeded £640,000.

CONCLUSION.

This report may be concluded by a notice of the rapid increase of business in the Financial Department of the Government of India. Before the period of disturbance, 1857, the total number of letters received and issued from the Financial Secretariat used to range from 8,000 to 10,000 annually. At the beginning of the period under review the number stood at 24,000 annually. It now stands at 28,000.

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